

## Digital Ads Give Billboards a Jolt



By Dirk Lammers

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They're large, rectangular and target consumers from high above the nation's roadways, but these are not your father's billboards.

Digital billboards, which resemble ballpark jumbo video displays but scroll through several static ads each minute, are helping to draw advertisers back to the outdoor medium as one of the world's oldest forms of marketing is undergoing a renaissance.

The computer-controlled LED displays allow advertisers to change their message as often as they'd like, unlike their vinyl predecessors, said Christopher Ensley, an analyst at Bear, Stearns & Co. in New York.

"I think that's what kind of changing the way outdoor is being used by advertisers," Ensley said.

Bill Ripp, director of Lamar Outdoor Advertising's digital billboard business, said the flexibility allows companies to place messages such as "sale ends tomorrow" or highlight specific prices that can be changed at any time.

"Billboards have traditionally been a reminder business," he said. "We do branding and 'turn left at this intersection' sort of stuff. This product allows advertisers to drive the message on a much more call-to-action or timing basis."

The out-of-home market would be healthy even without digital billboards, Ensley said. It's been able to avoid some of the issues facing television and radio such as audience fragmentation or fast-forwarding of commercials with digital video recorders.

"You may miss it the first time you go to work. But if you're doing it every day, that message is going to get through," Ensley said.

Advertisers are also getting more creative with how they use outdoor advertising, said Paul Meyer, global president of Clear Channel Outdoor Holdings Inc.

Clear Channel recently tried interactive bus shelters in some of its European markets, enticing commuters to download information to their cell phones.

"I think you're going to start seeing, slowly but surely, more and more experimentation with interactive communications between signs and consumers."

Digital billboards offer many new opportunities, including the ability for companies to sell space in a time-share arrangement and open up high-profile locations to more advertisers. The same billboard, for example, could show a Starbucks ad for a mocha latte during the morning commute, movie listings from the local theater complex during the ride home and a late-night entertainment venue after the dinner hour, Meyer said.

Clear Channel Outdoor's first foray into digital billboards was in Cleveland, where it launched a network of seven billboards. A local theme park featured its water rides during hotter days and showcased other attractions during cooler temperatures, Meyer said.

The San Antonio-based company made about \$380,000 on those seven locations in 2004, and revenues jumped to nearly \$2.5 million after they were converted to digital. Clear Channel Outdoor has since added six billboards in Las Vegas and 10 in Albuquerque and is building another network in London.

The Outdoor Advertising Association of America estimates there are 500 digital billboards on U.S. roads, compared to about 450,000 traditional billboards.

The giant screens can cost an initial investment of \$300,000 to \$500,000 as opposed to between \$80,000 and \$100,000 for a typical steel billboard structure, said Stephen Freitas, the Washington-based trade group's chief marketing officer.

Many billboard companies charge the same for a rotation spot as they do for a single static display, so the same location can generate eight to 10 times the revenue that a traditional billboard could deliver, he said.

The new technology is helping the industry take some ad dollars away from other forms of media. Spending on outdoor advertising grew by more than 8 percent during the first half of the year, according to the OAAA's monthly revenue data. That's second only to the Internet advertising industry's rate of growth, Freitas said.

Ensley acknowledged that only a small percentage of signs are digital, but he said it's probably better to look at their growth as a percentage of revenue, which will be about 2 percent in 2006 but could rise to more than 5 percent by 2008.

Frederick Moran, a Florida-based media analyst with Stanford Group Co., said Lamar has exceeded Wall Street's expectation for its digital rollout, putting up 10 to 30 more billboards per quarter than analysts thought they would. The company appears on track to have 300 up by the end of the year and 500 by the end of 2007, he said.

Currently, digital billboards are drawing mostly local advertisers such as department stores and automobile dealers, but analysts expect more national clients to jump aboard as the high-tech signs become more pervasive.

"You can't deliver a national message with the small amount of boards that are digital today," Moran said. A national advertiser can use digital boards to enhance the message on its static boards, but it will need thousands, if not tens of thousands of digital boards to have a truly national digital message, he said.

Jodi Senese, executive vice president of marketing for CBS Outdoor, said changeable messaging offers tremendous opportunities for the outdoor industry, but there will always be a market for traditional billboards as not all advertisers want to share a prime spot. For some, the real appeal of outdoor advertising comes from owning a spot 24-7, she said.

Freitas said he's confident that technology will continue to enhance - not threaten - the outdoor industry as long as people use cars, trains and planes.

"As long as we need the transportation systems, then outdoor is there," he said. "It's omnipresent and technology can only help us become more effective."

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