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## Wal-Mart's New In-Store Ads Turning Heads

By Mark Friedman - 9/22/2008

Some retail watchers have high expectations for Wal-Mart's new in-store advertising network that will allow the retailer to monitor and instantly alter video ads playing on 27,000 individual screens in stores.

So, for example, if it's raining in west Little Rock, Wal-Mart's Smart Network has the ability to broadcast advertisements to sell umbrellas in the west Little Rock store – and in different sections of the store, said Peter Breen, content director for the In-Store Marketing Institute of Skokie, Ill. But at the time of the downpour in Little Rock, other Wal-Mart stores wouldn't have ads for umbrellas, he said.

"The Walmart Smart Network appears to be the most intelligent, intuitive deployment of in-store media as yet undertaken," Breen wrote in a September article for the In-Store Marketing Institute.

But some have questioned how effective the Smart Network will be.

"Will the customers at Wal-Mart have the free time to watch all the advertisements on the screen?" asked Arun Jain, a professor of marketing research at the University of Buffalo (N.Y.), in an e-mail to Arkansas Business. "Most shoppers want to quickly replenish their inventory and leave the store. Who has the free time to watch all the advertisements for best toilet cleaners when her child is crying, 'Mommy, I want to go home,' [or] 'Mommy, I want to buy Barbie?'"

On Sept. 3, Wal-Mart unveiled the Smart Network and said it spent two years and \$10 million developing the high-tech system that will eventually replace the Wal-Mart TV Network – those flat-screen TVs hanging above the heads of 136 million shoppers a week.

In October, Wal-Mart's Smart Network will be installed in 300 stores that don't have the Wal-Mart TV Network, company spokeswoman Linda Blakley said in an e-mail to Arkansas Business.

By using Internet Protocol Television for the Smart Network, Wal-Mart said, it will be able to monitor and control more than 27,000 individual screens in more than 2,700 stores nationwide when the system is fully installed by 2010.

Wal-Mart also is working with the newly formed Studio2 of Richmond, Va., to create custom advertising for the network.

### Can Monitor Sales

The Wal-Mart Smart Network also will have the ability to monitor the cash register receipts. The network then could determine which ads generate more sales, said Bill Collins, principal of DecisionPoint Media Insights of Cincinnati, a consumer research consulting firm.

"If a spot runs in a particular department, you can see [in the cash register receipts] in the next 20 minutes or so, during which people would grab the merchandise and check out, if sales will actually increase," Collins said.

That information then could be compared with data from stores where the ads didn't run to determine if the ads worked, he said.

Also, ads could be changed out depending on the time of day, so breakfast items won't be pitched at dinner time.

Wal-Mart's studies show that sales will jump 20 to 80 percent for products with the in-store ads running at the endcaps, which are the highly visible display spaces at the end of aisles, Breen said.

In an interview with Arkansas Business, Jain said he questions Wal-Mart's numbers.

He said there was no way to tell if a consumer actually watched the ad before he bought the item. And it's difficult to say who saw the ad but then decided not to buy it. Or, Jain said, the shopper might have bought the product with or without the ad.

For the endcap displays, though, vendors will have to pay \$325,000 per two-week cycle in the grocery section and \$650,000 per four-week run in the health and beauty aid department of Wal-Mart, according to Breen's article.

Breen attended the press conference on the Smart Network on Sept. 3 and was inadvertently given a rate card for the network. He posted the card on the In-Store Market's Web site, and when Wal-Mart learned of it, he was asked to remove it, which he did. But Breen kept the numbers in his article.

Blakley wouldn't confirm the cost to advertise on the Smart Network or say what Wal-Mart expects to see in revenue as a result of the system.

The advertising revenue obviously will be a small stream compared with Wal-Mart's sales figure, which for the year ending Jan. 31, 2008, was \$378.8 billion. It had a net income of \$12.7 billion that year.

### **Tuning Out**

In 1997, Wal-Mart launched its in-store television network. On the TV network, Wal-Mart sold ads and provided concerts and special programming such as ESPN features to shoppers, who watched the programs that were on screens hanging from the ceiling.

Blakley declined to release revenue figures on the TV network.

The network currently reaches 160 million viewers every four weeks, Tom Connor, senior vice president of programming and creative for Premier Retail Networks Inc. of San Francisco, said in an e-mail statement to Arkansas Business. PRN helps run the in-store TV network for Wal-Mart and will continue to do so under the Smart Network.

Connor said the viewing time varies depending on the area of the store.

But several had criticized that system as being ineffective.

"Really what they had before was a bunch of TV screens that weren't even in the right places [in the store]," Breen said. "They were too high and in high-traffic areas where people don't tend to slow down."

Part of the problem with in-store television lies in advertisers taking the same ads played in people's homes and using them for the in-store network, said Nikki Baird, managing partner for Retail Systems Research of Miami and who has followed digital media trends. "One of the things that we've all learned – Wal-Mart included – is that kind of content just doesn't work in a store environment," Baird said. "Consumers are on the move. They're not going to hang around and watch all this stuff."

### **'Tailored to Consumers'**

With the new network, Wal-Mart has studied the best place to place the screens in the store.

"We've built a network tailored to the way consumers shop our stores – delivering helpful, custom content closest to the point of decision – that helps them shop smarter," said Stephen Quinn, chief marketing officer for Wal-Mart Stores, U.S., in a news release. "The Smart Network is intelligent too, because every screen and every message has a purpose and we will be analyzing point of sale data on an ongoing basis to deliver a shopper-centric communications platform."

Jain, the University at Buffalo professor, was skeptical about whether the Smart Network would really be helpful to the consumer. He said the ads would be designed to sell the most products and were not there to help the consumer find the best item.

"Certainly, there will be no effort to provide comparative information to ensure rational decision-making, or where the best alternative may be a competitor's brand or product," Jain wrote.

After walking through the entrance at a Wal-Mart Supercenter, a shopper will be greeted by a "Welcome Screen," Wal-Mart said.

Five-second ads running every two minutes for two weeks on the Welcome Screens will cost advertisers \$80,000, Breen wrote in his article.

Screens also will be placed in the grocery, health and beauty and electronics departments.

Ads will be created for each department by Studio2, which will work closely with Wal-Mart on the content.

On the Wal-Mart TV network, the same message typically would be played throughout the store over and over again.

"The biggest challenge that any of these [in-store] networks face is getting enough of the right targeted content," Baird said. "So the fact that this is enough of a problem that Wal-Mart's willing to invest in a studio to create this content for them I think speaks a lot to the length that they're willing to go to overcome that barrier."

But on the new network, the health and beauty ads will play only in that department, which could be a strong selling point for advertisers looking to target shoppers, she said.

"Your receptivity to that kind of content is going to be higher than if you saw that content while you were in the produce section," Baird said.

Breen reported that 10-second spots running twice every six minutes on the full network will cost \$50,000 per week. Time in the grocery section will be sold in two-week blocks, and the health and beauty section's ad space will be a four-week commitment, Breen wrote.

For those wanting to advertise in the electronics department, ads to be shown on the bank of display TVs will cost \$172,000 for 30 seconds three times an hour for four weeks, Breen wrote.

And the endcap screens will display ads specifically for the products on the endcaps, Wal-Mart said. According to Baird, the store manager will have to make sure the right ad is on the endcap with the product being displayed. And stockers will have to keep the product on the shelves.

Wal-Mart has partnered with DS-IQ of Bellevue, Wash., to measure and analyze the Smart Network.

Being able to measure the effectiveness of an ad will be a key selling point for Wal-Mart to entice advertisers to use the network, said James Tenser, principal at VSN Strategies of Tucson, Ariz., which is a retail consulting firm.

"Some of the big brand companies have stated that they expect to spend more money in the retail environment at the expense of traditional media," he said.

Some studies have shown that the closer the promotion is to the point of sale, the more effective it is.

A Kellogg marketing official said in the Wal-Mart news release that reaching the audience that will buy Kellogg's items is becoming harder.

"I believe moving forward, advertising at the point of sale will become increasingly important to win the market," said Kim Miller, vice president of marketing at Kellogg, in the news release. "The results we've seen during the tests of the new Wal-Mart Smart Network have been impressive."