EXECUTIVE SUMMARY

On-premise digital LED displays are a cost-effective, safe, time-efficient and potent form of advertising and communication for convenience stores. As the effectiveness of traditional forms of advertising diminishes, on-premise electronic message centers provide a powerful tool for boosting impulse sales while yielding a high return on investment, moving people from outside the fuel island to inside the c-store. They reach the right target audience, at the right time, for a fraction of the cost of television, radio or print advertising. Convenience store acceptance of LED displays increases every year and operators have given strong endorsements of the technology based on the results they have seen in their stores.
HISTORY OF USING DIGITAL DISPLAYS IN THE CONVENIENCE STORE

Several years ago, the convenience store industry began to recognize the significance of using LED electronic technology. Many chains such as Shell Oil, BP America, Kwik Trip, and Wawa have been replacing outdated manually changeable copy boards and other incandescent display technology with electronic LED message centers for years.

The 2009 NACS industry report notes slimmer fuel gross margins and the rise of credit card fees in the c-store industry. In light of this situation, fuel retailers will want to follow in these chains’ footsteps to decrease the expenses of price changes and increase in-store profits/sales. An electronic message center is the perfect advertising medium to help increase impulse, in-store sales and improve c-store bottom lines.

DIGITAL READER BOARDS LOOK BETTER

Managers and owners aren’t happy with how manually changeable signs look. “The selective customer will be more attracted to a store that has gone digital. To the consumer, state-of-the-art signage often equates to state-of-the-art merchandizing,” says Jack VonEwegen, marketing manager for Sunoco-branded distributors. All the different details of a facility’s appearance affect the way consumers perceive a business and can help a facility pull ahead of the competition.

In fact, a recent Convenience Store News article stated that cleanliness was the number one reason consumers choose one convenience store over another. Manually changeable copy boards can appear old-fashioned and messy to potential customers, while digital displays help convey your c-store as cutting-edge and sleek to the everyday consumer passing by.

C-store owners mention the following specifics about the appearance of manually changeable copy boards:

- Poor visibility
- Sun glare on plastic letter tiles
- Wear and tear on landscaping surrounding the sign
- Discolored, dirty, and scratched letter tiles

DIGITAL LED DISPLAYS ALLOW EMPLOYEES MORE TIME WITH CUSTOMERS

Outdated technologies also keep employees from serving customers. Now, more than ever, fuel retailers want their employees to focus on the customers’ needs and not on keeping the fuel prices and static message boards updated. As the NACS vice chairman commented about the surprising growth of in-store sales in 2009, “[I]t shows that our passionate focus on the customer may make us recession resistant.”

Manually changeable copy boards take away from employees’ focus on the customer while they go find the equipment needed for changing the copy board display and then go outside to get it done. Often, tiles frozen in place during the winter or dust and debris clogging the plastic tracks cause the job to take even longer to complete. In addition, if it’s a windy day, employees may spend even more time chasing after rogue letters blowing by in the breeze.

DIGITAL READER BOARDS ARE SAFER

Digital reader boards eliminate the chance of an accident occurring when an employee updates a copy board’s messages because the updating of the display is completed inside the store via an easy-to-use computer software program. In fact, according to a study published in the American Journal of Preventive Medicine, more than 2.1 million individuals were treated in U.S. emergency departments for ladder-related injuries from 1990 through 2005.

And with fourteen different OSHA guidelines for the use of a portable ladder, a digital display makes good safety and economic sense.
MOVING CUSTOMERS FROM THE PUMP INTO THE STORE

The convenience store industry needs a powerful advertising medium to drive the public from the pumps to inside the store to pick up a soda, get something for lunch, use the ATM machine, and buy a bottle of aspirin. C-stores depend on 70% of their profits coming from in-store sales. The medium to stimulate those sales is an LED electronic message center.

An LED electronic message center is a cost-effective and successful way to advertise what’s for sale inside. According to the Convenience Store News Industry Report 2009, as fuel provides less and less income, convenience stores need to remind the public that they can buy more than gas at their facilities; fuel is just one of many products convenience stores offer. Because increased fuel trips don’t translate into more in-store visits, c-stores need a powerful advertising tool to drive non-fuel sales. NACS’ 2009 State of the Industry report notes a continued growth in food service and beverages, and an on-premise LED sign is the perfect solution to advertise those in-store items.

Digital displays can serve large brands but also provide smaller convenience stores an important boost. With an on-premise digital display, single-store owners can attract the people who live, commute, and work in the vicinity of its facility. With single-store operators making up 62.3% of the industry, the power of this technology to help level the playing field reveals yet another way that digital displays improve fuel retailers’ bottom line.

RETURN ON INVESTMENT

According to the Small Business Administration, owners of a digital reader board typically see a 15%-150% increase in business. Daktronics has received testimonials from digital reader board owners who cite increases between 9%-20%.

While this is a wide range of return on investment, return is proportional to the content quality displayed on the digital reader board and its integration into a marketing campaign. The better the content and the more appealing the message, the more people will stop at a store and purchase.

The following equation helps to determine what return on investment may look like for an individual store:

\[
\frac{(\text{Gross Sales} \times \text{Projected Lift}) \times \text{Gross Margin} \%}{\text{Cost of Investment}}
\]

As such, assuming only a 9% lift, a store with gross sales of $1.2 million and a 27% gross margin (the average gross sales and gross margin for c-stores in 2009 according to 2010 Convenience Store News Industry Report) may have a digital reader board return on investment that looks like this:

\[
\frac{($1,200,000 \times .09) \times .27}{30,000} = \frac{29,160}{30,000} = 97.2\% \text{ ROI}
\]

Results will vary depending on a store’s existing gross sales and gross margin, as well as the cost of the individual display purchased. Again, content and message appeal can affect the projected lift increase. A digital reader board with effective messages typically will pay for itself within four to 18 months.
DIGITAL READER BOARDS APPEAL TO CONVENIENCE STORES TARGET AUDIENCE

Convenience stores can utilize a digital reader board to target their primary shopper: men. A recent Convenience Store News study found that significantly more men than women shop at convenience stores every day (11.1 percent vs. 5.9 percent) and two or three times a week (19.2 percent vs. 13.9 percent), making them a c-store’s primary advertising target. In addition, men aging from 18 to 34, avoid TV advertising but have a huge exposure to outdoor media, such as a digital reader board. Plus, the average consumer spends 15 hours per week in the car while younger men, ages 18 to 34, spend an astonishing 20 hours per week in the car: a 33% increase.

CATCHING IMPULSE BUYS: SELLING TO YOUR FRONT DOOR MARKET

Another benefit of using digital displays is that viewers notice them. After driving by a static sign over and over again, consumers quit looking at them. On the other hand, they always look at a sign that they know changes. Since a typical family may travel on a certain street during their daily routine more than 50 times during a month, retailers need a sign that they’ll keep noticing.

Digital displays also make more sense than other media, not only because they are cost effective and people notice them, but because they broadcast their messages to a constant stream of potential customers. Americans travel an average of 302 miles in seven days. Outdoor media reach 96% of these drivers and passengers. And with a digital display, operators easily change messages to appeal to different demographic groups and to promote different goods and services.

Also, think about the effect of a digital display upon motorists considering the following data:

- Customers exposed to advertising for a longer time are more likely to buy.
- Two-thirds of customers buy on impulse.
- High-mileage commuters spend less time reading a newspaper or watching the news.
- 34% of high-mileage consumers have incomes of more than $75,000.
- 45% of high-mileage consumers have children in the home.
- 40% of people decide to stop at a store on the way home from work.

DECLINE OF TRADITIONAL MEDIA EFFECTIVENESS

Traditional media’s usefulness for brand promotion is declining. DVR use allows viewers to pre-record television programs and fast forward through the commercials. Radio listeners avoid ads by using iPods, streaming Internet audio, or satellite radio. And publicly traded American newspapers have lost 42% of their marketing value in the past three years.

The industry itself reports statistics about changes in media use. According to the April 2009 issue of Convenience Store News for the Single Store Owner, stores using some form of signage for marketing rose to nearly 72% in 2009 from 61% in 2008. Television and radio use dropped from 44% in 2008 to 30% in early 2009. Print advertising also saw a decline in the petroleum retailer industry from 32% in 2008 to 24% in 2009.
DIGITAL DISPLAYS AND MARKETING
So what marketing tool can convenience stores and fuel retailers use to increase advertising during the economic slowdown and beyond? An on-premise or off-premise digital display provides the solution for the following reasons:

- Digital displays are cost-effective.
- Content on a display can be quickly and easily updated.
- People look at them because they change.
- Digital displays are more attractive and safer than changeable copy boards.
- They attract customers 24/7.
- They can promote many different products and services.
- They reach different demographic groups at different times in the day.

DIGITAL DISPLAY COST EFFECTIVENESS
Digital displays provide fuel retailers with an economical marketing solution, especially when compared to the decline of advertising success in newspapers, radio and television. The table below shows digital display costs compared to other media:

<table>
<thead>
<tr>
<th>MEDIA AND COST27</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Newspapers</td>
<td>$1,300 per week for 2’ x 2’ ad</td>
</tr>
<tr>
<td>Television</td>
<td>$200,000 for 30-seconds prime time</td>
</tr>
<tr>
<td>Direct mail</td>
<td>$1,500 for 1,000 standard postcards including postage</td>
</tr>
<tr>
<td>Online</td>
<td>$1,200 to $1,800 per month</td>
</tr>
<tr>
<td>Radio</td>
<td>$90 to $120 a week on a rotator</td>
</tr>
<tr>
<td>Magazine</td>
<td>$1,200 to $5,000 per month or issue</td>
</tr>
<tr>
<td>Daktronics digital display</td>
<td>$300* per month</td>
</tr>
</tbody>
</table>

*Monthly cost over the display’s 10-year lifetime

The chart below shows media costs from a specific area, in this case, Clearwater Florida:

<table>
<thead>
<tr>
<th>MEDIA COST PER THOUSAND EXPOSURES Clearwater, Florida28</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Tampa Tribune</td>
</tr>
<tr>
<td>Clear Channel Radio Stations</td>
</tr>
<tr>
<td>News Channel 8 NBC</td>
</tr>
<tr>
<td>Daktronics digital display</td>
</tr>
</tbody>
</table>

The chart shows media costs from a specific area, in this case, Clearwater Florida:
SAVE MONEY ON ENERGY
When compared to other display technologies, digital LED displays emerge as the most efficient technology available. According to NRDC statistics, LEDs are also longer lasting than other lighting technologies. While incandescent light bulbs, prominent in backlit price displays, typically last around 1,000 hours and fluorescents are good for roughly 10,000 hours, LED lights can last from 50,000 to 100,000 hours!29

Even more, the incandescent light bulb, one of the more admired inventions of its era but deemed too inefficient for our own, will be phased off the U.S. market beginning in 2012 under the new energy law approved by the United States Congress.30

Using green LED technology will not only save money on energy, but increase sales because of consumer demand for environmentally-friendly corporate tactics. Utilizing LED technology to power your digital message center display is a great first step to environmental friendliness.

HOW CAN A C-STORE USE A DIGITAL DISPLAY TO DRIVE SALES?
A digital display places the c-store owner in total control of his/her marketing. The technology is so flexible and effective, fuel retailers can easily take advantage of industry data, changes in the national economy, and local conditions to sell more merchandise. The following specific examples illustrate how a c-store owner can speak to customers using a display.

In 2008, the industry noted that prepared food took first ranking for in-store sales31 with prepared foods and beverage sales rising 7.3 percent in 2008.32 With information of this type, the display operator can quickly put together the appropriate graphics and text advertising microwavable cheeseburgers and pizza.

A digital display can also easily accommodate changes in the economy. In the spring of 2009, c-store owners responded to the high fuel prices by giving away free gas, gas discounts, or one cent off per gallon for every drink purchased inside the store.33 A digital display provides the perfect vehicle to promote these kinds of specials.

A display also helps c-store owners to take advantage of local demand. Depending on the demographic groups using the store, savvy retailers can advertise everything from chewy bars to sandwiches to beer. Stores need to promote desirable services that competitors don’t have, from a cash machine to a fully-automated car wash.

CONCLUSION
Fuel retailers are using the power of digital technology for convenience and to compete in today’s challenging economy and position themselves for even greater success in the future. LED reader boards draw customers inside the convenience store for in-store sales. As the public continues to avoid commercials and ads, digital outdoor media reaches the customer close to the point of sale in the most cost-effective way.

LOOKING FOR MORE INFORMATION?
Want to talk to a Daktronics representative for more information on how to make digital LED displays work for you? Visit: www.daktronics.com/petroleumrequestinfo.
WORKS CITED


4. Ibid. p.38.


19. Ibid.


22. Ibid.

23. Ibid.

24. Ibid.


29. NRDC TV Energy Efficiency Research, TV International Stakeholder Meeting, San Francisco, June 2005


