OVAB | Out-of-home Video Advertising Bureau Europe

OVAB cooperation partner Switzerland: IG adscreen

invidis CONSULTING

Digital Signage Business Climate Index May/June 2013

Germany | Austria| Switzerland

31th of May 2013

Content

I.	**Executive Summary**		**S. 3**
II.	**Countries**		**S. 6**
	i.	Germany	S. 7
	ii.	Austria	S. 8
	iii.	Switzerland	S. 9
III.	**Segments**		**S. 10**
	i.	Integrators	S. 11
	ii.	Digital-out-of-Home (DooH)	S. 12
IV.	**Additional Questions**		**S. 13**
	i.	Project sizes	S. 14
	ii.	Comparability of DooH Networks	S. 16
	iii.	Advertising investments during a recession	S. 18
	iv.	Touch-Technology	S. 19

DBCI May/June 2013

EXECUTIVE SUMMARY

Good business sentiment in May – stable expectations for the next 6 months

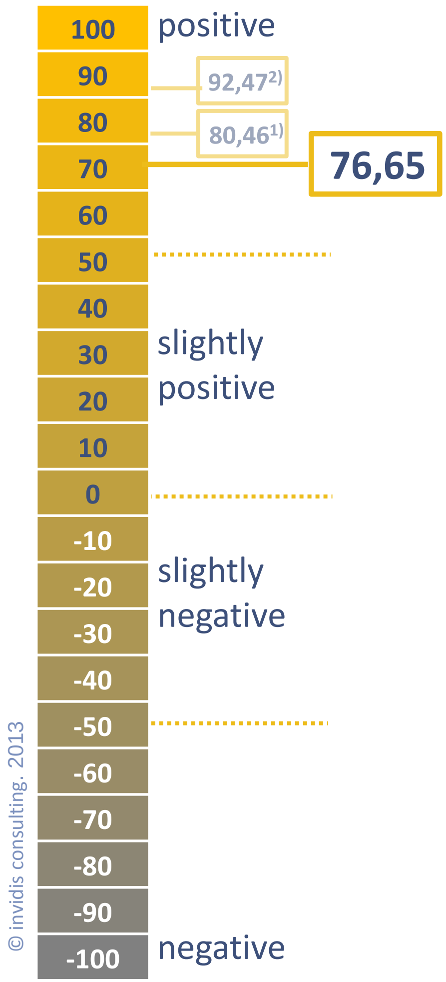

Fig. 1: DBCI May/June 2013

1) DBCI Jan./Feb. 2013

2) DBCI March/April 2013

- The business sentiment in May is very good with stable expectations for the next six months
- The Digital Signage Business Climate Index – DBCI – fell by 15,82 points from 92,47 points to 76,65 points since the last survey in March
- The decrease of the DBCI can be traced to a considerable decline of the answer “more favourable” in the benefit of the answer “unchanged” for the question on the business expectations for the next six months
- In Germany the high demand for displays exceeds the expectations, in Austria the Retail sector is discovering Digital Signage and in Switzerland large roll-outs in the banking and transportation sectors drive the market
- The integrators display a very positive business sentiment with 93% answering “good” and in the Digital-out-of-Home sector the successful results in the first quarter show the future is digital
- Small projects with between 1 and 49 displays dominated the market in the last twelve months, having also the highest growth rate

Important information concerning the survey:

- Participants: n=120
- Region: Germany, Austria, Switzerland
- Time frame: 2013 calendar weeks 18-19

Digital Signage | Good business situation – stable expectations

Status Quo DE-AT-CH 2013

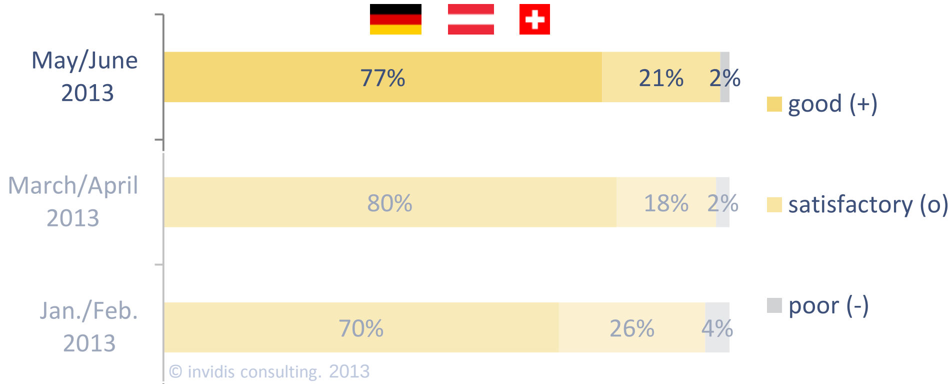

Fig. 2: Question 1, n=120: "How do you rate the current business situation for your products / services in the field of Digital Signage?"

Status Quo countries May/June 2013

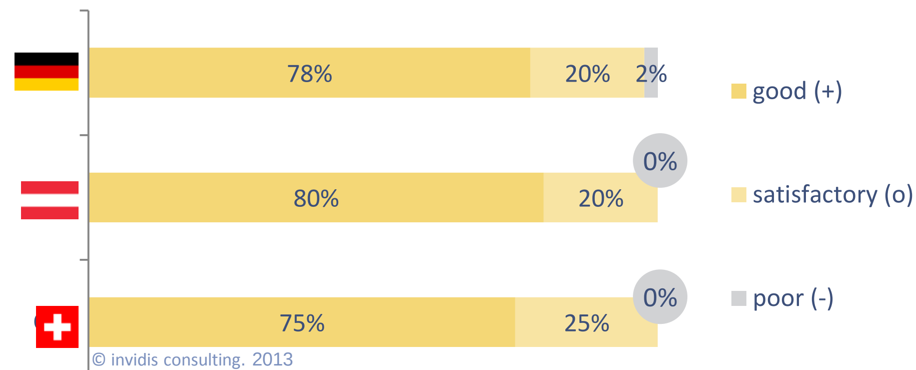

Fig. 4: Question 1, DE/AT/CH n=85/15/20: "How do you rate the current business situation for your products / services in the field of Digital Signage?"

Expectations DE-AT-CH 2013

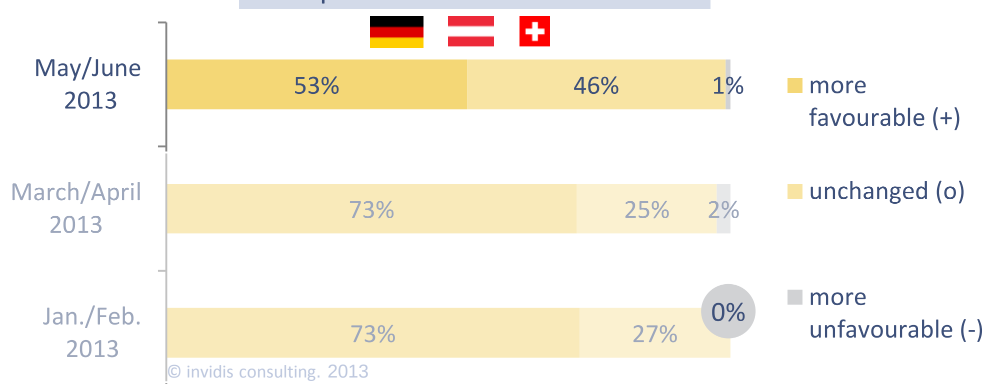

Fig. 3: Question 2, n=120: "What are your expectations for the next six months?"

Expectations countries May/June 2013

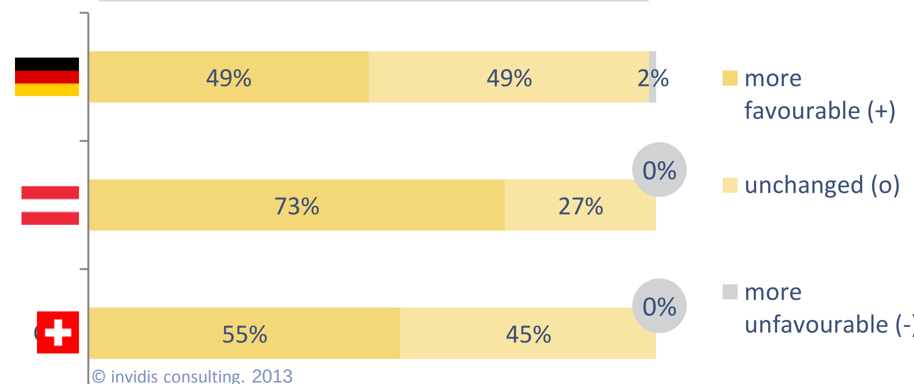

Fig. 5: Question 2, DE/AT/CH n=85/15/20: "What are your expectations for the next six months?"

DBCI May/June 2013

COUNTRIES

Germany | High demand for displays exceeds expectations

Germany

- Digital Signage is established on the customers side. Especially retail, corporate communications and Out-of-Home are investing in Digital Signage
- The market is growing continuously by up to 20% year by year. Delays with large scale strategic projects are compensated through a multitude of smaller projects

Market analysis

- The business sentiment in the Digital Signage industry remains stable on a similar good level since March. 78% of all polled companies rate the current situation for their products and services as "good"
- The positive business sentiment is particularly boosted by the expectations exceeding demand for displays and by the integrators working to full capacity
- The business expectations for the next six months is steady optimistic. 49% of the polled companies expect a more favourable situation come the winter
- Still, in comparison to the March/April survey the polled companies are more sceptical if the very good business situation can improve to an even higher level

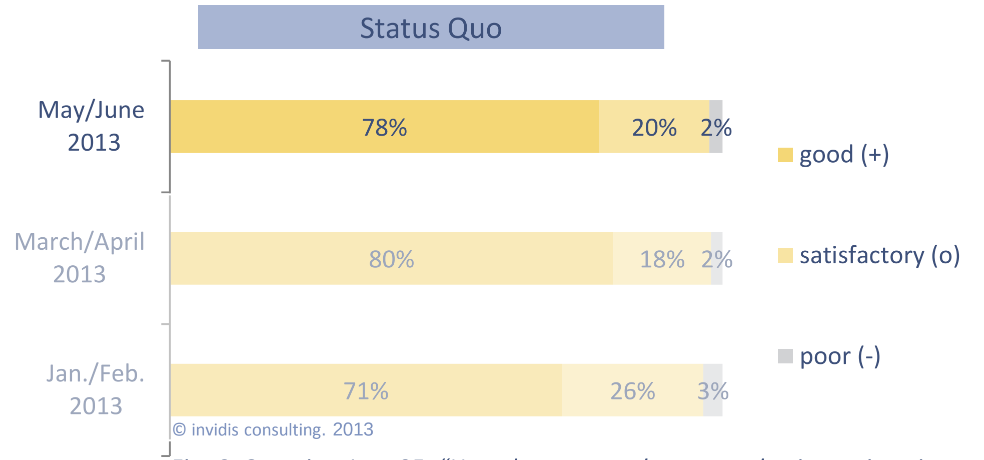

Fig. 6: Question 1, n=85: "How do you rate the current business situation for your products / services in the field of Digital Signage?"

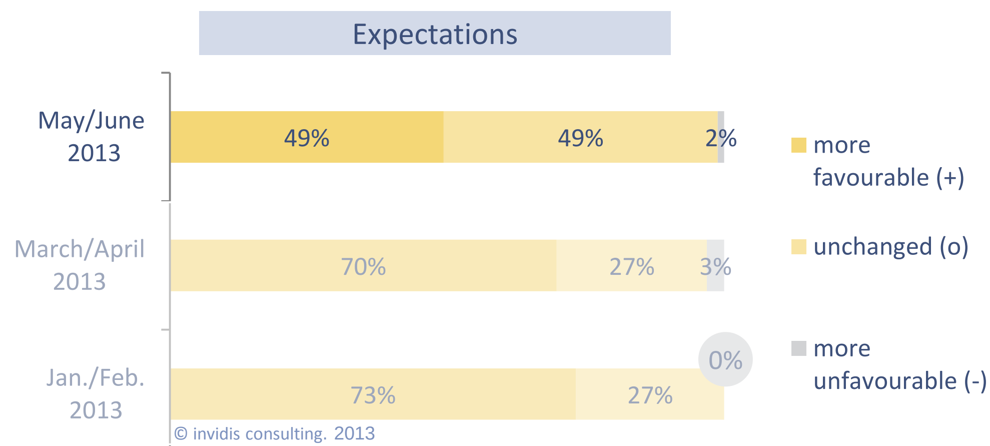

Fig. 7: Question 2, n=85: "What are your expectations for the next six months?"

Austria | Retail discovers Digital Signage

Austria

- Investments in Digital Signage derive increasingly from the vertical markets of tourism, traffic and from the public sector
- Due to structural demographic conditions investments are primarily focused on the capital Vienna

Market analysis

- 80% of all polled companies assert their business situation as „good" and 73% are expecting an even more favourable situation within the next six months
- National operating retail companies are currently in demand of Digital Signage solutions
- Public projects are being delayed or put on hold
- Demand in CEE markets is still very slow
- Market participants are organising Digital Signage offerings new and it is coming to a roll change between integrators and VAD distributors

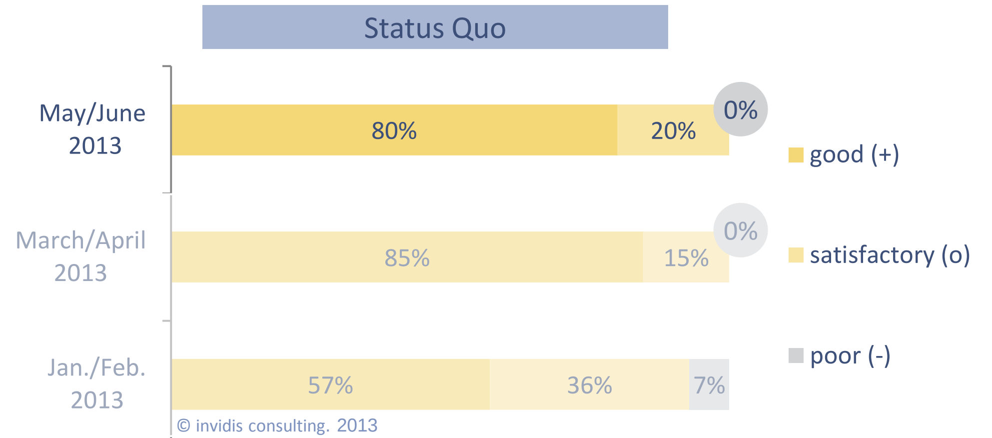

Fig. 8: Question 1, n=15: "How do you rate the current business situation for your products / services in the field of Digital Signage?"

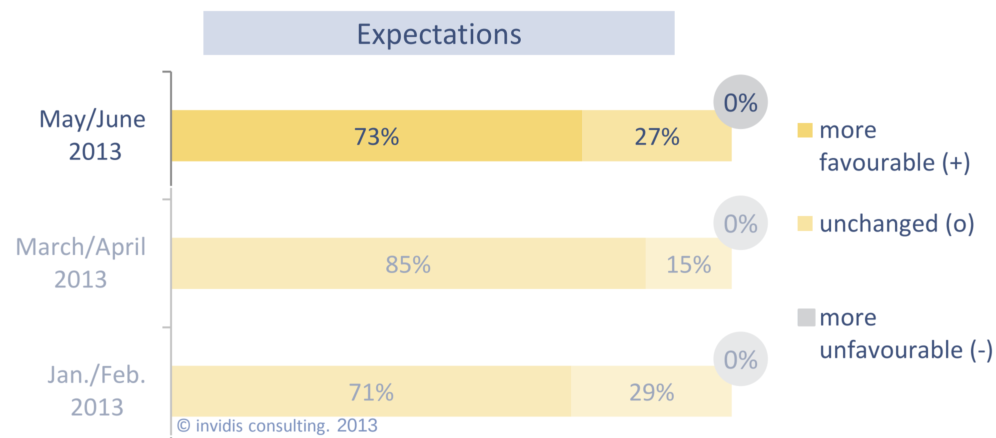

Fig. 9: Question 2, n=15: "What are your expectations for the next six months?"

Switzerland | Large scale roll-outs in `banking' und `transportation'

Switzerland

- Digital Signage is established on the customers side, especially retail is investing in the technology
- Because of the size of the country, roll-outs encompass rarely more than 100 displays, but high attention is focused on the quality of the installation

Market analysis

- The business sentiment is constantly being rated as "good" in 2013, 75% of all polled companies have this opinion
- The high expectations of the March/April survey declined by a considerably margin and are showing more conservative with 45% of all polled companies expecting no changes in the business situation for the next six months
- Particularly in the retail banking sector companies are changing their communication to digital
- Next to DooH installations in train stations, the market segment transportation is driven by the roll-out of displays in commuter trains of the SBB

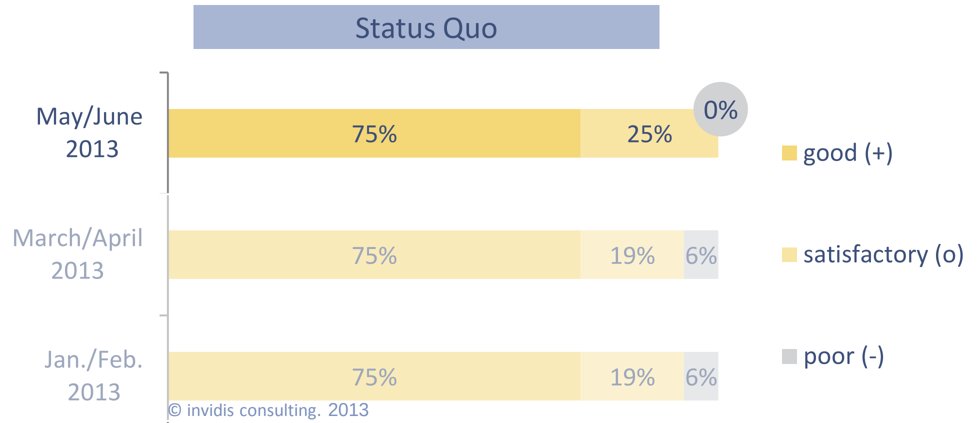

Fig. 10: Question 1, n=20: "How do you rate the current business situation for your products / services in the field of Digital Signage?"

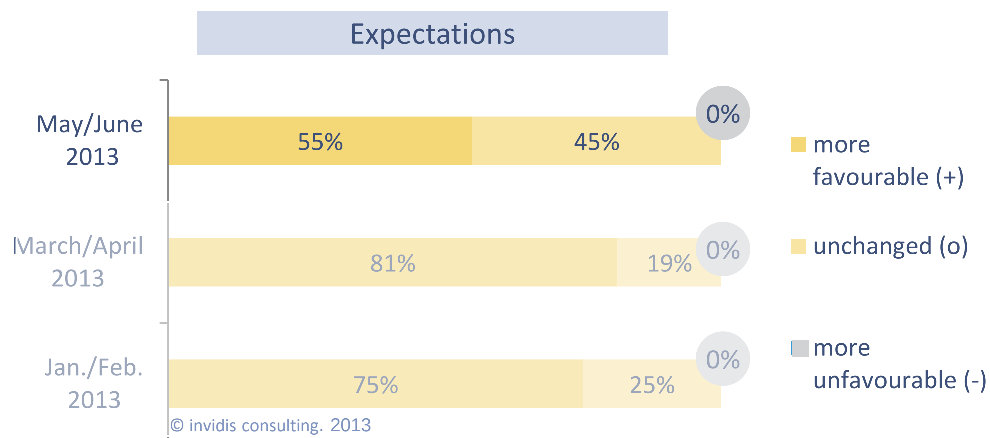

Fig. 11: Question 2, n=20: "What are your expectations for the next six months?"

DBCI May/June 2013

SEGMENTS

Integrators | Exceptionally good business sentiment

Integrators

- Integration services in the Digital Signage value chain are provided by IT-integrators, specialized Digital Signage integrators and full service agencies
- The most important integrators in the German language region are T-Systems, xplace and Seen Media (DE), Panatronic, Kapsch and feratel (AT), John Lay Solutions, Invertag and Habegger (CH)

Market analysis

- The business sentiment is exceptionally good. 93% of all polled companies have this opinion
- However only 48% of all polled companies expect a more favourable situation within the next six months. In contrast 0% are expecting a setback for their business
- It couldn't be any better: Most polled companies think that the demand is currently at the maximum. The notion is that the business situation will remain stable on a good level for the next months, with only slow increase

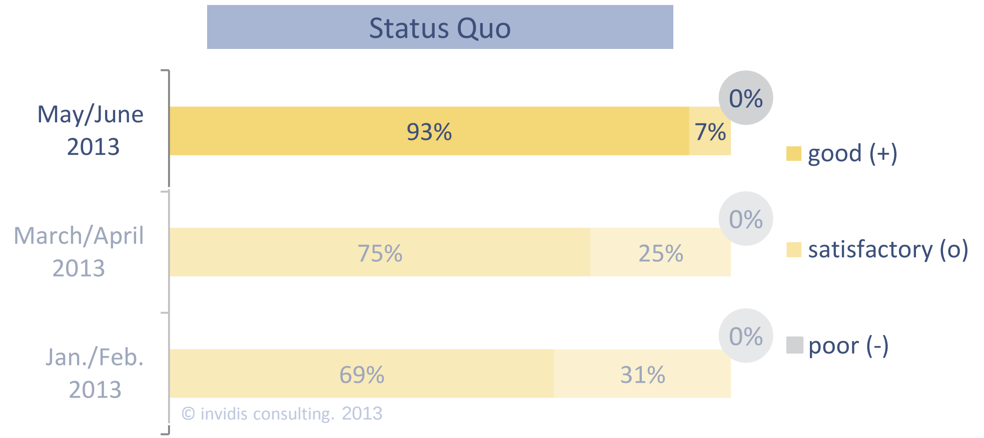

Fig. 12: Question 1, n=27: "How do you rate the current business situation for your products / services in the field of Digital Signage?"

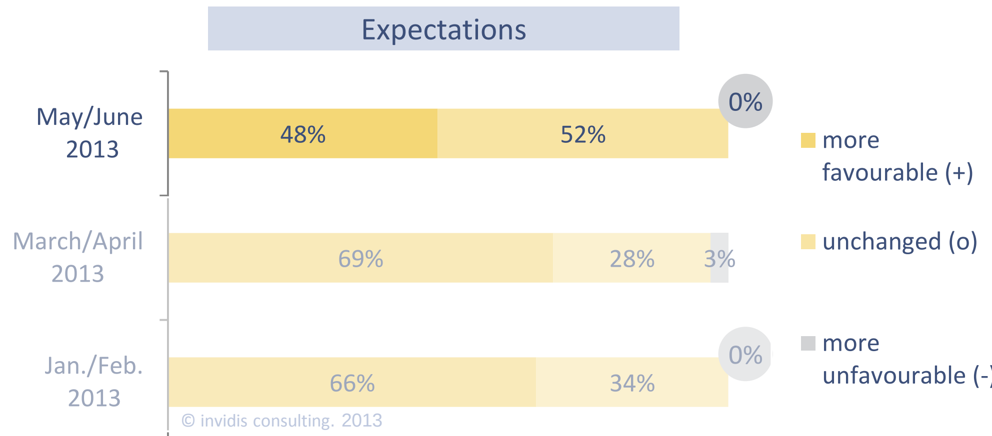

Fig. 13: Question 2, n=27: "What are your expectations for the next six months?"

DooH | Good first quarter results show the future is digital

Digital-out-of-Home

- The Digital-out-of-Home market in Germany is made up of few large networks with national reach and many small and regional networks
- The most important players on the market are Ströer Digital Media, Telekom ooH Media, Tank&Rast and Media-Saturn

Market analysis

- The business sentiment in the Digital-out- of-Home segment is fractionally more conservative in May/June compared to March/April. 64% of all polled companies assess the situation as „good"
- The expectations declined by a significant margin. Only 58% of all polled companies expect the business situation to be more favourable for the next six months
- The good financial results in the first quarter of 2013 clearly support the positive sentiment on the market. The organic growth of companies like JCDecaux and Ströer is primarily attributed to the growth in the DooH segment

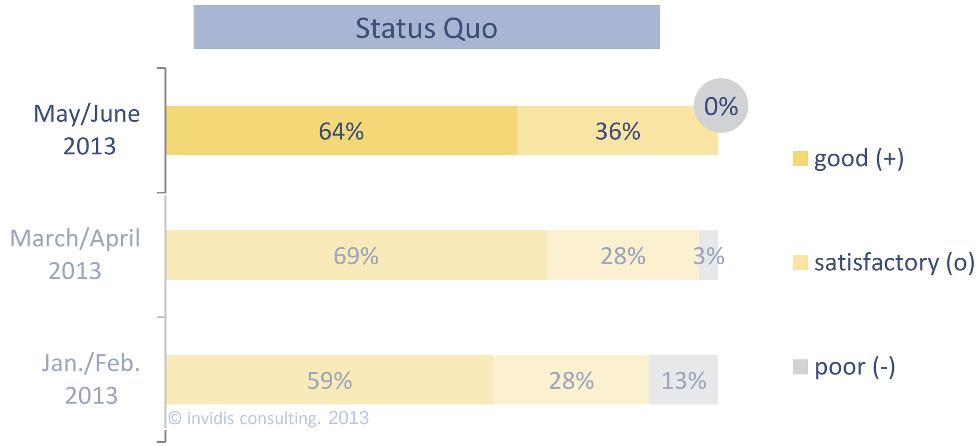

Fig. 14: Question 1, n=33: "How do you rate the current business situation for your products / services in the field of Digital Signage?"

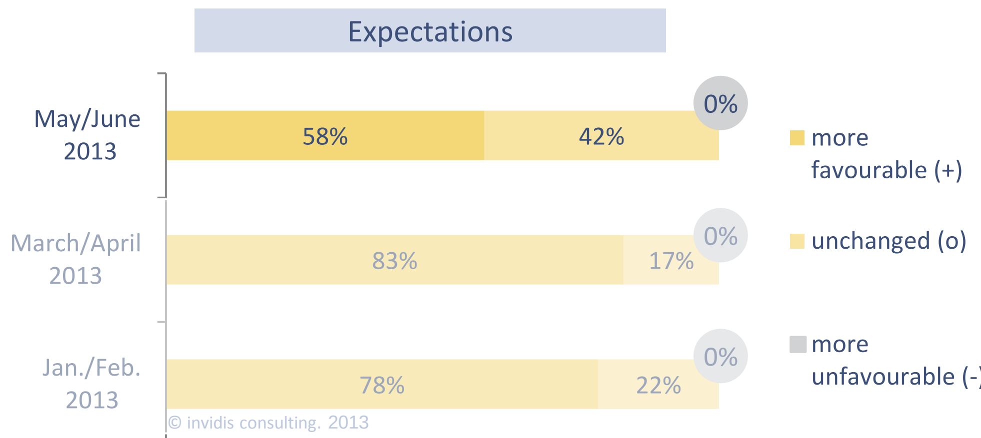

Fig. 15: Question 2, n=33: "What are your expectations for the next six months?"

DBCI May/June 2013

ADDITIONAL QUESTIONS

Digital Signage | Small projects dominate the market

The first additional question DBCI May/June 2013 for Digital Signage products and service providers:

"Looking back on the projects of the last 12 months. Which average project size – measured in the number of installed displays – was implemented the most?"

- 66% of all polled companies implemented primarily small projects with 1 to 49 displays
- Small projects have a high margin and can be carried out successfully by most players in the market
- Only 10% of all polled companies have implemented primarily big projects with more than 100 displays over the course of the last 12 months
- Large projects generate high revenues, but discounts increase with the number of hardware used and tear into the margin. Moreover, only few market participants can sustainably carry out projects with over 100 displays

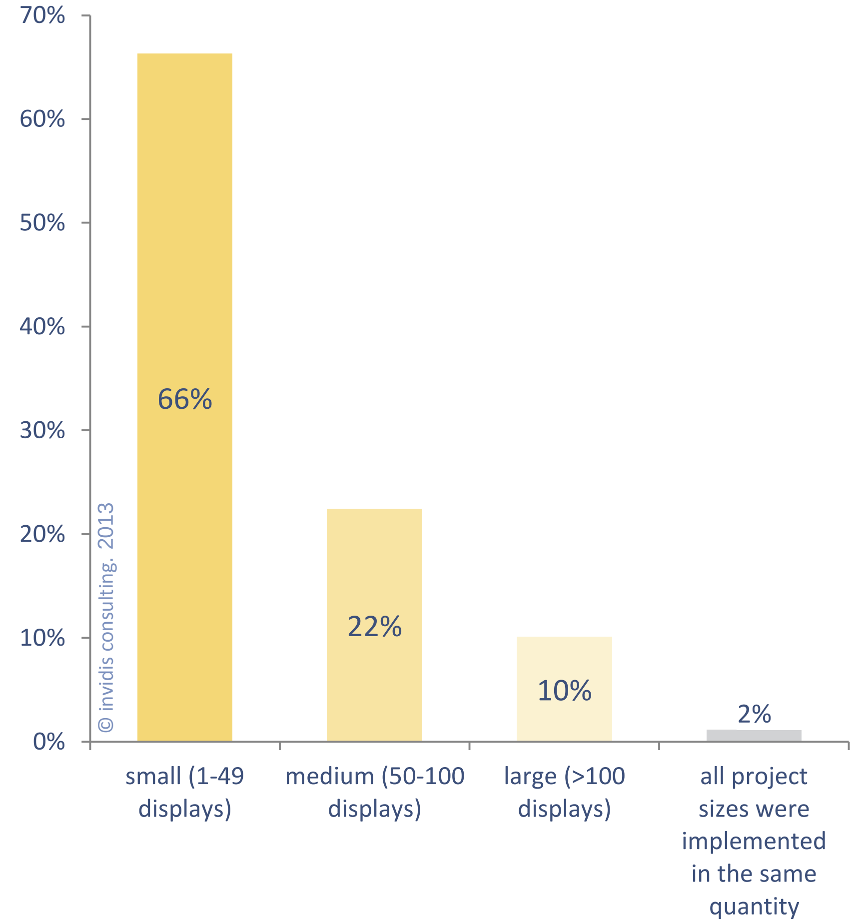

Fig. 16: Results of the first additional question of the DBCI May/June 2013 n=89: Small projects dominate the market

Digital Signage | High growth with projects numbering 1 to 49 displays

Second additional question DBCI May/June 2013 for Digital Signage products and service providers:

"In which project size – measured in the number of installed displays – did you generate the highest growth within the last 12 months?"

- Small projects with between 1 and 49 displays were the most dynamic. In this segment 61 % of all polled companies could generate the highest growth over the course of the last 12 months
- Due to the continuous decline in hardware prices and an increasingly attractive offer of easy-to-use and out-of-the box solutions, the installation of Digital Signage networks becomes more and more interesting for the SMB segment
- Nevertheless 25% of all polled companies show their highest growth rate in the segment of medium sized projects with between 50 and 100 displays
- The good business situation in the German language region now enables also smaller retail companies and medium sized companies to invest in Digital Signage networks

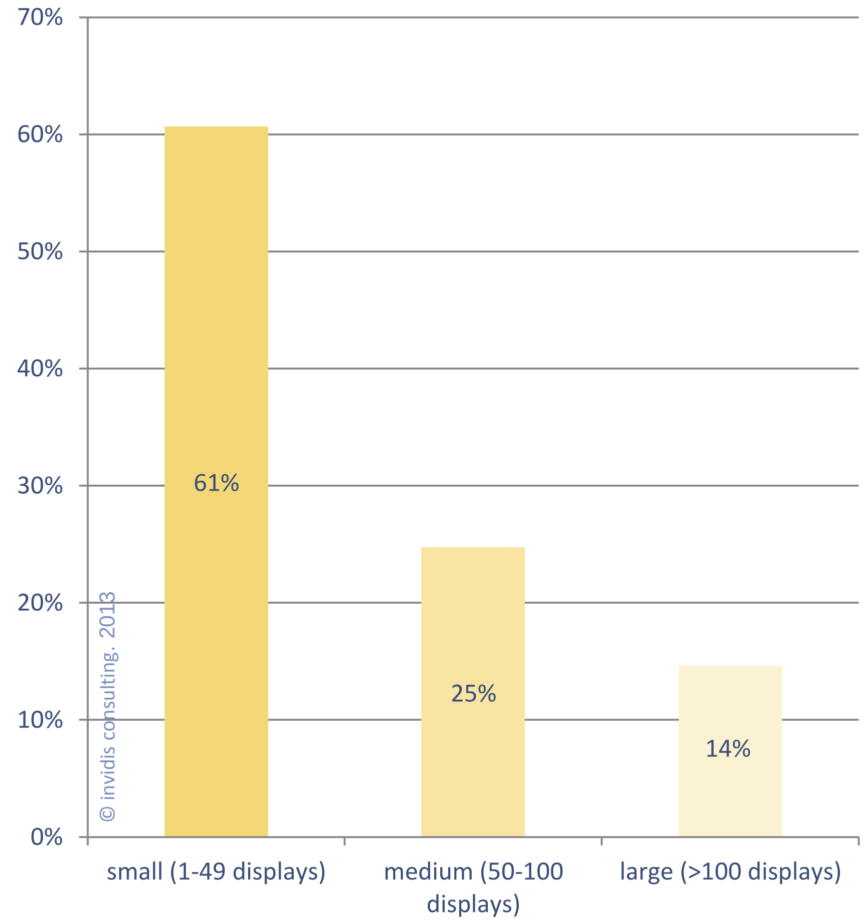

Fig. 17: Results of the first additional question of the DBCI May/June 2013 n=89: High growth rate with projects numbering between 1 and 49 displays

DooH | Comparability boosts growth

Additional question DBCI May/June 2013 for Digital-out-of-Home products and service providers

"Neutral institutions like for example the IVW or MA Plakat measure and assess advertising media and ensure that they are comparable within the same media group. Do you believe that a similar measurement and assessment of DooH networks will lead to increased advertising spending for this type of media?"

- 84% of all polled companies support the notion that common and standardised measurements and assessments of DooH networks will lead to an increase in advertising spending being channelled to this media
- Only 16% say that no increase will be achieved
- Transparency and comparability of products and services are very important to win the confidence of the customer and push growth regardless of the market
- A standardised method for measuring DooH networks is already implemented into practice by the OVAB Europe industry association

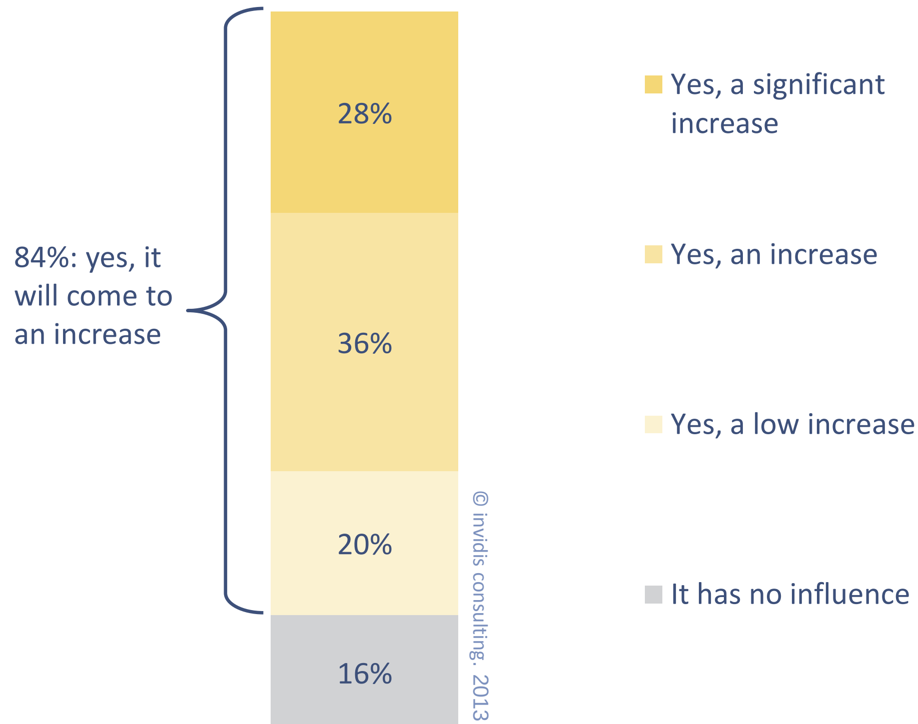

Fig. 18: Results of the additional question DooH of the DBCI May/June 2013 n=25: Comparability boosts growth

DooH | OVAB standards for DooH networks

The industry association OVAB Europe was able to set an important milestone for establishing DooH in the media mix with the introduction of standards for DooH networks starting with the 1st of January 2013 (http://ovab.eu/standards/)

- Media contacts and reach measurement
  - Implemented by ENIGMA GfK
  - Two study modules (face-to-face survey n=1.000; population study n=5.000)
  - KPI's: Frequency, gross contacts advertising media and spot, net contacts advertising media and spot, reach in selected target audience
- Service Level Agreements
  - Service requirements (support, fault clearance, technical maintenance, on-air time)
  - Technical requirements (hosting, security, documentation, hard-/software quality)
- Commercial standards
  - Advertising spot requirements (spot length, frequency, booking period)
  - Invoice practice (proof-of-play, discount in kind)

$$Cov_{gross} = \sum_{i=1}^{n} p_i \times K_i$$

Source: Ströer

$$Cov_{net} = \sum_{i=1}^{n} \left(1 - (1 - p_i)^{K_i}\right)$$

Switzerland | DooH advertising investments stable during a recession

The additional question for Switzerland is presented in cooperation with the Swiss industry association IG Adscreen:

„Do you expect that during a recession or a tense economic situation the advertising investments in the DooH market will increase, decrease or remain stable?"

- 83% of all polled companies in Switzerland expect that the advertising investments in the DooH market during an economic recession will remain stable or grow. 33% even expect increasing investments
- The polled companies expect the advertisers to act according to the economic rule of anti-cyclical advertising investments (c. BCG: Gegen den Strom)
- In the comparison between the GDP and the gross advertising investments during the last economic crisis in 2008/09 an explicit correlation of the recession and the decline in advertising investments can be seen
- The optimistic expectation of the polled companies can not be verified by an assessment of the latest crisis

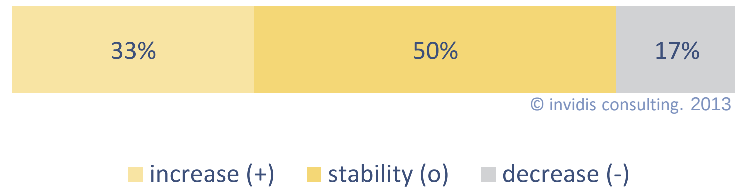

Fig. 19: Results of the additional question DooH of the DBCI May/June 2013 for Switzerland n=6: DooH advertising investments expected to remain stable during a recession

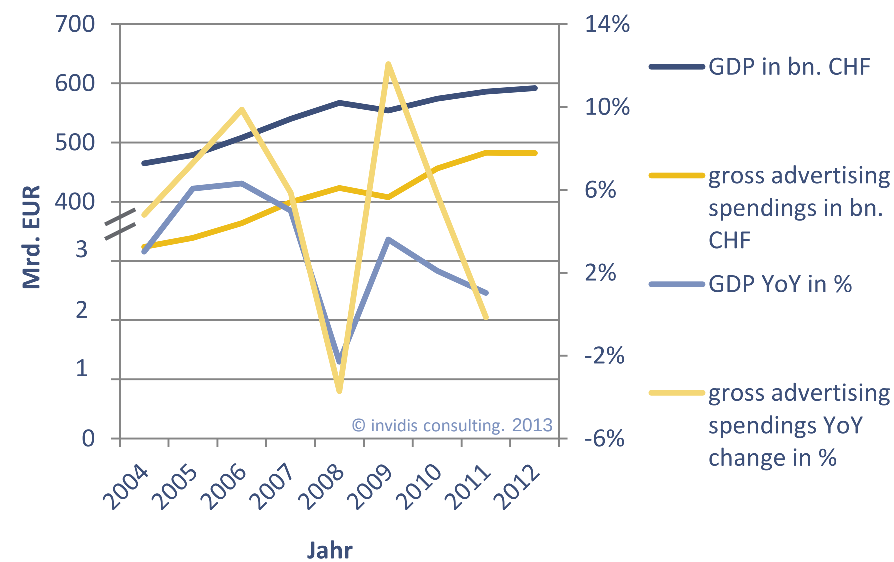

Fig. 20: Correlation GDP und gross advertising spending's; GDP real at price of preceding year; source: Goldbach Media / Media Focus, SECO

DBCI | Roadmap 2013 & Contact

2013	
January	
February	
March	
April	
Mai	
Jun	
July	**July/Aug. 2013 | 15.07.**
August	
September	**Sept./Oct. 2013 | 19.09.**
Oktober	
November	**Nov./Dec. 2013 | 18.11.**
December	

- The next survey will take place in calendar week 27 to 28 of 2013
- The next planned publication date will be the 15th of July 2013
- The DBCI is polled by invidis consulting and published in cooperation with OVAB Europe
- If you are not yet part of the DBCI survey please contact us for further information
- The DBCI will be extended to other markets in 2013. For further information please contact Daniel Russell

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