

Retailer Increases Sales with Digital Signage in Stores

Norsk Tipping, the Norwegian lottery, uses the Cisco Digital Media System to promote its games on networked digital signs in 4,500 retail stores.



EXECUTIVE SUMMARY

NORSK TIPPING

- Retail: Lottery
- Norway
- 300 direct employees; 4,500 retail stores

BUSINESS CHALLENGE

- Increase sales
- Deliver timely and targeted communications to retail stores throughout the country

NETWORK SOLUTION

- Deployed Cisco Digital Media System
- Used existing Cisco network infrastructure

BUSINESS RESULTS

- Increased number of purchases by consumers
- Saved 50 percent on advertising, based on cost per thousand (CPT) viewers
- Achieved rapid payback on investment (expected)

Business Challenge

The national lottery in Norway, Norsk Tipping AS, is wholly owned by the government and administered by the Ministry of Culture. Proceeds support the country's sports and culture programs. Of Norway's 4.6 million citizens over the age of 18, 94 percent are registered to play, and 60 percent play weekly, purchasing lottery tickets and placing sports bets at any of 4,500 retail stores throughout the country. In 2005, revenues from the company's 11 games totaled US\$1.4 billion, with profits of US\$424 million.

Historically, Norsk Tipping advertised its games with weekly mailings of new promotional posters to retail outlets. But over the years, Norsk Tipping executives had come to regard this approach as expensive, inflexible, and unreliable. "The problem

was that we had no control over whether our retailers actually displayed the posters that we mailed," says Stein Onsrud, technology advisor for Norsk Tipping. Some stores left outdated marketing materials hanging in stores, which hurt sales. Norsk Tipping estimates that 60 percent of its promotional materials were never used, a statistic consistent with other retailers' experiences. In addition, printing and postage for the posters cost US\$6.8 to US\$8.5 million annually.

Norsk Tipping executives wanted a new way to deliver timely and targeted marketing communications to all stores, with the goal of stimulating sales. To be effective, the new marketing solution would need to capture customer attention in crowded retail locations, avoid the high costs and mailing delays of print campaigns, and not require onsite technical support at each retail location.

The company wanted the same in-store solution to address two other business challenges, as well. One was communicating the current odds of winning in real-time, as required by Norwegian government regulations. The other was countering the growing competitive threat from online games by offering interactive, multiplayer games, such as bingo, virtual car racing, or virtual horse racing. These games require very high-resolution (1080p) displays.

“We wanted a single platform that could meet all of our goals—personalized advertising, communicating odds, and support for interactive games—to avoid the time and expense of deploying a new solution each time that a new communications need arose,” says Onsrud. Solution criteria for Norsk Tipping included scalability, centralized management, use of IP standards for investment protection, and high-resolution displays. “PC-based solutions would not provide adequate return on investment because of the high costs of onsite technical support and maintenance for over 4,000 stores,” says Onsrud.



Network Solution

The positive experiences of other companies with digital signage prompted Norsk Tipping to investigate digital signage solutions. “Other retailers have reported that live video on displays at the point of sale influences customers to make unplanned purchases,” says Onsrud. Studies show that seven out of ten purchase decisions are

made while the customer is in the store¹, almost one-third of shoppers who see an in-store display make purchases², and technology at the point of sale has been shown to increase sales between 15 to 60 percent³.

Norsk Tipping chose the Cisco® Digital Media System, a comprehensive solution for managing, publishing, and playing digital media on networked digital signage displays. “The Cisco solution met all of our requirements and distinguished itself with a very high MTBF [mean time before failure],” says Onsrud. “In addition, it distributes digital media over our existing Cisco IP network, which has the scalability and resiliency to support our thousands of retail locations.”

¹ *The Economist*, 2006

² Arbitron, 2005

³ Forrester Research, 2007



Norsk Tipping wanted to deploy the digital signage solution quickly, before retailers adopted their own solutions. This would give the company a competitive advantage in selling advertising on the signs to the retailers and other third parties. Therefore, Norsk Tipping engaged a Cisco partner to install and connect the digital signs in 4,500 locations throughout the country.

Deployment was complete after just three months of work. The content management system resides at headquarters. A system administrator manages the digital signage centrally, over the IP network, minimizing onsite technical support requirements.

Once the deployment was under way, Norsk Tipping began publishing content to the digital signs. Each week, the company creates hourly broadcast plans that define the digital signage content to be broadcasted over its existing Cisco network. Typically, three or four messages alternate on each screen, providing more flexibility than possible with paper-based advertising.

To better target its messages, Norsk Tipping divided its retailers into two segments, based on whether they focus on lottery games or sports betting. Stores in each segment receive content that is targeted for their customers. During quiet hours in sports-betting stores, for example, Norsk Tipping stimulates cross-selling by promoting lottery games. “The Cisco Digital Media System helps us deliver the right communications, at the right time of day, to generate incremental sales,” says Onsrud. The displays are also used to broadcast odds of winning and weekly game results, eliminating the need for in-store TVs.

Business Results

“The Cisco Digital Media System helps us deliver the right communications, at the right time of day, to generate incremental sales.”

—Stein Onsrud, Technology Advisor, Norsk Tipping AS

Instant Communication of Time-Sensitive Information

Informing players about jackpot winnings and odds is faster and less expensive with the Cisco Digital Media System. “It is not possible to disseminate jackpot information quickly enough using print channels, because of production and mailing lead times,” says Reidar Rorby Jr., managing director of Norsk Tipping. “With the Cisco Digital Media System, we can immediately broadcast jackpot information to all retailers in the country, at the same time.”

Higher Sales

The Cisco Digital Media System is helping Norsk Tipping increase purchases by players who previously played only a few times each year. “Our retailers are reporting increased sales since we installed the digital signage,” says Onsrud. “The reason is that we are broadcasting more targeted, more eye-catching campaign material than when we were using paper-based marketing campaigns.” Sales have increased most for the games that traditionally appeal to occasional players, such as the Lotto lottery game.

More Cost-Effective and Compelling Marketing and Advertising

The Cisco Digital Media System is a cost-effective channel for marketing content and advertising. The cost-per-thousand (CPT) viewers is US\$55.1 million for the Cisco Digital Media System, compared to US\$100.9 million for television and US\$193.6 million for print advertising in the nation’s four largest newspapers. “Advertising is shifting from traditional media channels such as television and newspaper to retailers’ own digital channels because of the strong cost advantages,” Onsrud says.

Investment Payback

According to Norsk Tipping’s investment analysis, higher sales for even just three of the company’s 11 games will completely pay for the investment in five years or less. This analysis assumes that marketing campaigns displayed on digital signage at the point of sale will result in occasional players playing games four more times a year, which translates to a sales increase of six percent. “That is an extremely conservative analysis,” says Onsrud. “We actually expect a much more rapid payback because of increased sales of the other eight games, the elimination of printing and mailing costs for posters, and lower advertising costs compared to other media.”

PRODUCT LIST

Routing and Switching

- Catalyst 6500 with Content Switching Module (CSM)

Video

- Cisco Digital Media System: Digital Media Manager
- Cisco Digital Media System: Digital Media Players

Next Steps

In the future, Norsk Tipping plans to further segment its retail outlets to use the Cisco Digital Media System for even more precisely targeted marketing campaigns at the point of sale. For example, the company may vary marketing campaigns based on store customers’ average age—information collected from the lottery-membership cards that customers use to make their purchases.

With its high-resolution digital signage, Norsk Tipping is now prepared to offer new products, such as IPTV broadcasts of sports events intended to increase sports betting. “IPTV is less expensive, easier, and more manageable than maintaining TVs that are tuned to a satellite channel,” says Onsrud. “We will not need any other equipment in retail stores in addition to the digital signage that is already there.” The high-resolution (1080p) displays can also support multiplayer interactive games, such as virtual car racing. Norsk Tipping also has the option to sell advertising on the new in-store channel to other parties, including the retail chains themselves. Conservative estimates for incremental advertising revenue are in the tens of millions of dollars annually.



Onsrud concludes, "With its flexibility and scalability, the Cisco Digital Media System is helping us strengthen our brand, increase sales, make it more attractive for retailers to sell our products, earn incremental advertising revenue, and maintain customer confidence."

To learn more about the Cisco Digital Media System, visit <http://cisco.com/go/dms>.



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