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Out-of-Home Marketing is Back

Why You Should Rethink OOH as a Channel

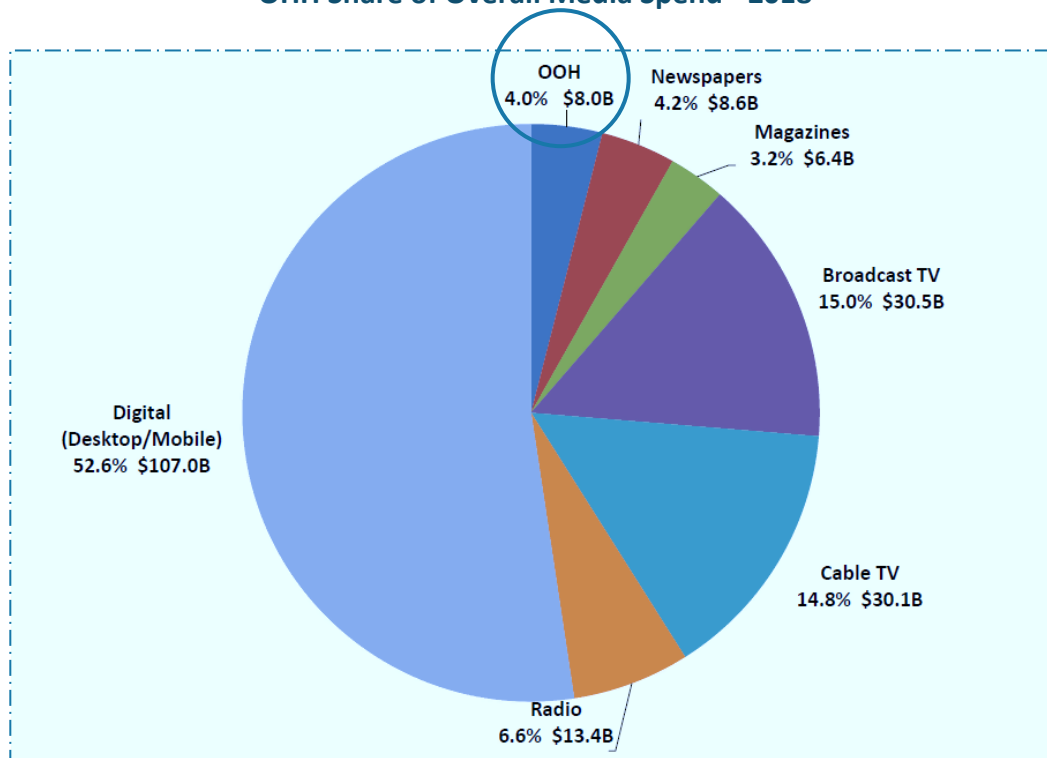
Digital marketing channels (think Search, Social, Mobile, and Display) can be remarkably efficient, particularly for young companies looking to jumpstart sales, but the marketing ROI on these platforms is unpredictable at best, if not compressing. We've become more vocal to the companies we work with: the time to aggressively hedge against Facebook and Google was yesterday. Even if your ROI looks good now, don't expect it to stay that way. If the overarching supply-demand trends don't compress your ROI over time, your own success (and the corresponding increase in spend) almost certainly will.

So, which other channels should you consider? It might surprise you, but out-of-Home (OOH) placement is perhaps the best place to start. Here's why:

- OOH is a steady, cost-effective producer in a volatile marketing world
- OOH amplifies digital channels
- OOH attribution is being solved
- OOH is becoming more turnkey

We live in a physical world, yet OOH spend garners only ~4% of total US ad spend. We believe this is due to largely outdated perceptions about the shortfalls of OOH (namely attribution and precision). If this is true, OOH looks like a relatively undiscovered secret on which to capitalize while prices are still attractive. Don't be surprised to see that little sliver of the chart expand over the next several years.

OOH Share of Overall Media Spend - 2018



Source: Out of Home Advertising Association of America (OAAA)

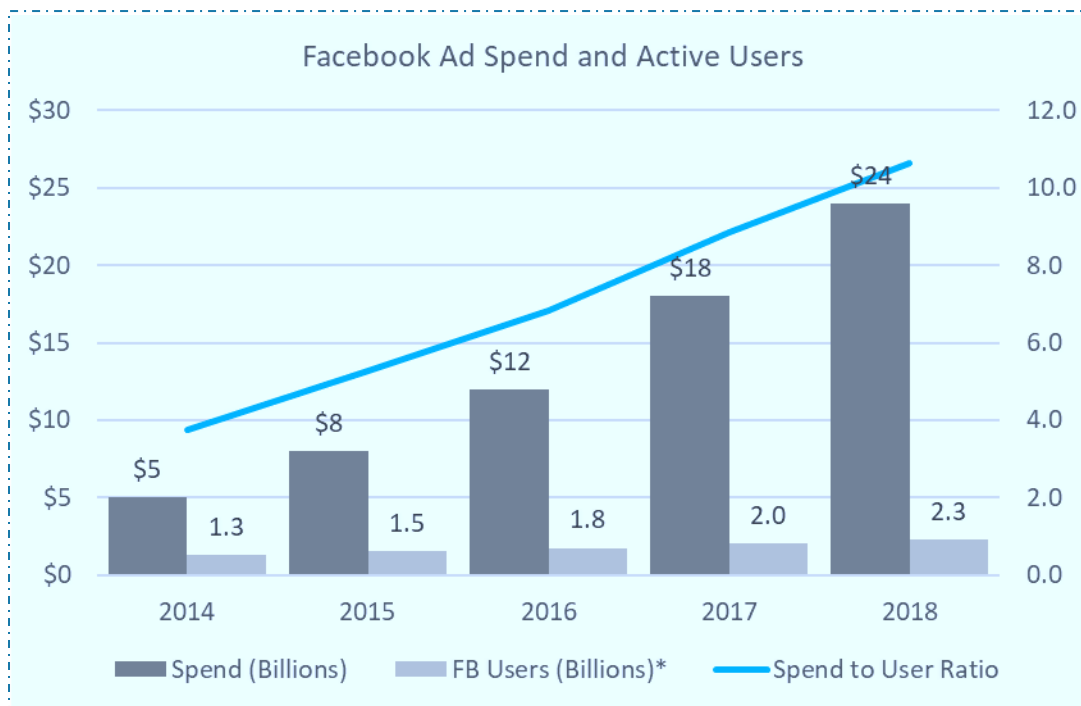
Quick Primer: The Out-Of-Home Landscape

Generally, the industry is divided into three categories: roadside, place-based (think subways or point of sale), and fleet. The three primary inventory holders (commonly referred to as operators) in the US are Lamar, Clear Channel Outdoor and OUTFRONT, with JCDecaux as a distant fourth in the US but the

largest worldwide. These players essentially control the major markets, and have local sales reps who interface with small and medium-sized local businesses and coordinate up the chain of command on inventory availability for larger orders from national brands.

Why Now?

- **CPMs on Major Platforms are Volatile and Rising:** Looking at Facebook Messenger as an example, we saw CPMs jump up 58% from Q4 2018 to Q1 2019. At the same time, Google Ads CPMs hit record highs in the first half of 2018, followed by a huge drop to end the year. While it's difficult to determine signal from the noise, we believe it's safe to assume that prices are on a bumpy ride upward as the growth in marketing spend continues to outstrip audience growth in most categories on Google and Facebook. For a clear (albeit imperfect) indicator just look at the ratio of Facebook spend to users, which has grown nearly 3x in the past 4 years! It's hard to imagine average engagement time has increased at the same rate, even with the growth in Messenger.



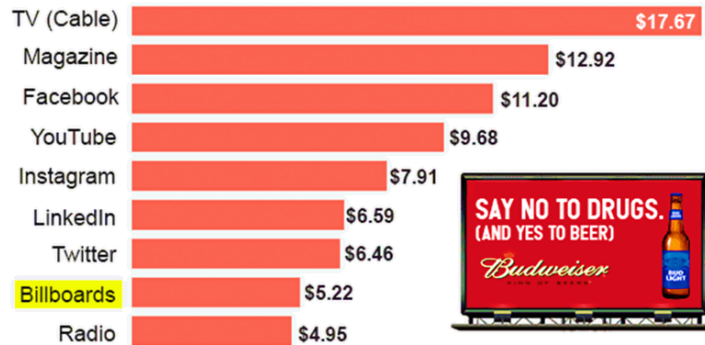
*Blended average MAUs by quarter.

- **Web and Mobile Channels are Oversaturated:** It's never been easier to create a digital brand, but it's never been harder to cut through the noise. New generations of consumers are conditioned to ignore conventional delivery, they are adopting ad-blocking tools, and increasingly paying for ad-free content.
- **Linear TV is Losing Audience:** the rise of streaming and on-demand video is pulling more watch hours away from linear TV and the associated ads, especially among Millennials and Gen Z.

- **Not Your Grandfather's OOH:** "Paint and pray" is being replaced with rich outdoor media and emerging technology that can provide measurable returns on outdoor campaigns. While OOH is still a long way from the holy grail of truly programmatic real-time exchanges, the new developments combined with the low CPMs (for now) make the channel more compelling than ever.

Average CPM, By Advertising Sector

CPM = The Cost for 1k people to see an ad



Data gathered from MAGNA, Falcon.io, AdStage, monetizepros.com

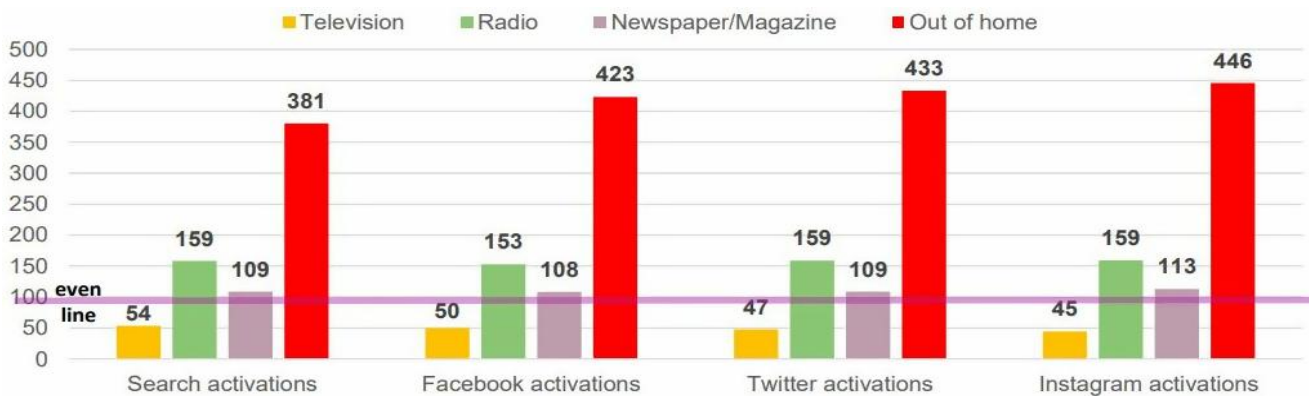
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OOH Makes Digital More Effective

Relative to the other traditional channels, OOH punches way above its weight in driving online traffic. Despite accounting for only [7%](#) of offline ad spend in the US, OOH generates 26% of the gross search activations initiated by offline media, including TV, Radio, and Print. Perhaps most interesting is that the effectiveness of digital search increases by over [40%](#) when OOH is included in the marketing mix.

Nielsen claims an even greater effect, suggesting OOH increases online conversions [4x](#) more than traditional online. All of this translates to a compelling return on investment: for every dollar spent on OOH, nearly six is generated in product sales.

Online Activations Indexed Against Media Spend



Source: Nielsen OOH Online Activation Survey

OOH Attribution is Being Solved

Today's OOH can return much of the same analytics and attribution capabilities that we're accustomed to with digital display. 68% of mobile use happens on-the-go and our phones leave a digital footprint of where we're going, what we're viewing, and what we're buying. Location-based technologies enable outdoor signage to identify who the audience is, and trace the first impression through to web or in-store purchase. As an added benefit, OOH avoids the click-fraud and bot issues that still plague online display ads.

Rate card calculation are also slated for a change. For decades, daily rates were stagnant based on total estimated annual traffic divided by 365. Road closures and holidays, for example, had no price impact. We are told by industry insiders that by roughly end of year, the industry (as moderated by third party ratings bureaus) will shift from this rudimentary calculation to a more precise, dynamic model – down to the hour in some cases. This is yet another sign of improving market transparency.

Startup Spotlight #1

HaulerAds Combines Old Medium with New Attribution Tech



[HaulerAds](#), a Toronto based startup, uses downtown urban delivery trucks as billboards to garner millions of monthly impressions. Their proprietary hardware and analytics system uses Wi-Fi-scanning and GPS to measure engagement in real-time, which is published for clients on a web-based dashboard. As their data pool grows, they're beginning to produce re-targeting solutions. "The impression data from the trucks gets paired with demographics to offer granular segmentation, which gets passed back to the advertisers who can track the user all the way to conversion."

Full Disclosure: Vocab is not an investor in HaulerAds, but knows the company.

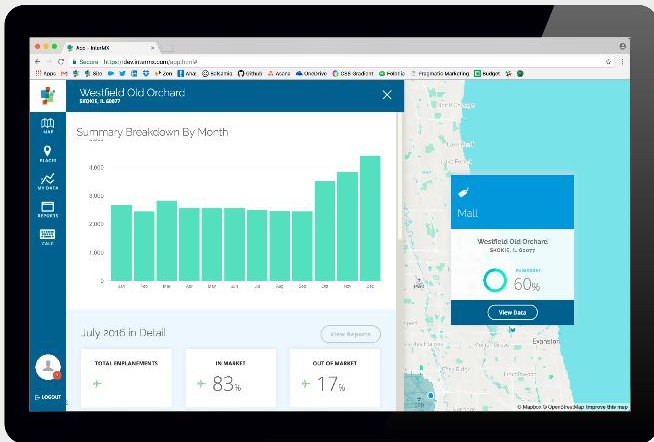
OOH Becoming More Turnkey

Companies are building automation and visualization tools to simplify outdoor ad buying, making the process cheaper and more accessible. This is great news for younger companies that lack the manhours or knowhow to build an OOH strategy on a one-off basis. Companies like Broadsign, Vistar Media and AdQuick aggregate fragmented and disjointed OOH inventory/vendors into a single marketplace, track and store engagement data, and train algorithms to predict returns – all seeking to bring OOH closer to the programmatic experience of digital channels.

These platforms empower brands to make informed, timely ad placements with increased agility and visibility into performance. Similarly, Google has started to test its own DoubleClick ad technology in London, allowing marketers to buy ad space programmatically around the city. Standalone campaign management tools dedicated to OOH are also emerging. These efforts are a promising sign that the next generation of OOH is becoming more accessible and scalable.

Startup Spotlight #2

Intermx Makes OOH Planning Accessible



[Intermx](#), an Atlanta-based company started by industry veterans, provides a rich visual planning and reporting tool for both OOH operators and advertisers. With Intermx, advertisers need not get bogged down in combining and cleaning a multitude of disparate datasets – all of that is handled by the Intermx technology behind the scene. Instead, they can focus on picking the best inventory for their campaigns fully armed with contextual data.

Full Disclosure: Vocap is not an investor in Intermx, but knows the company.

Tech Giants are Taking Notice

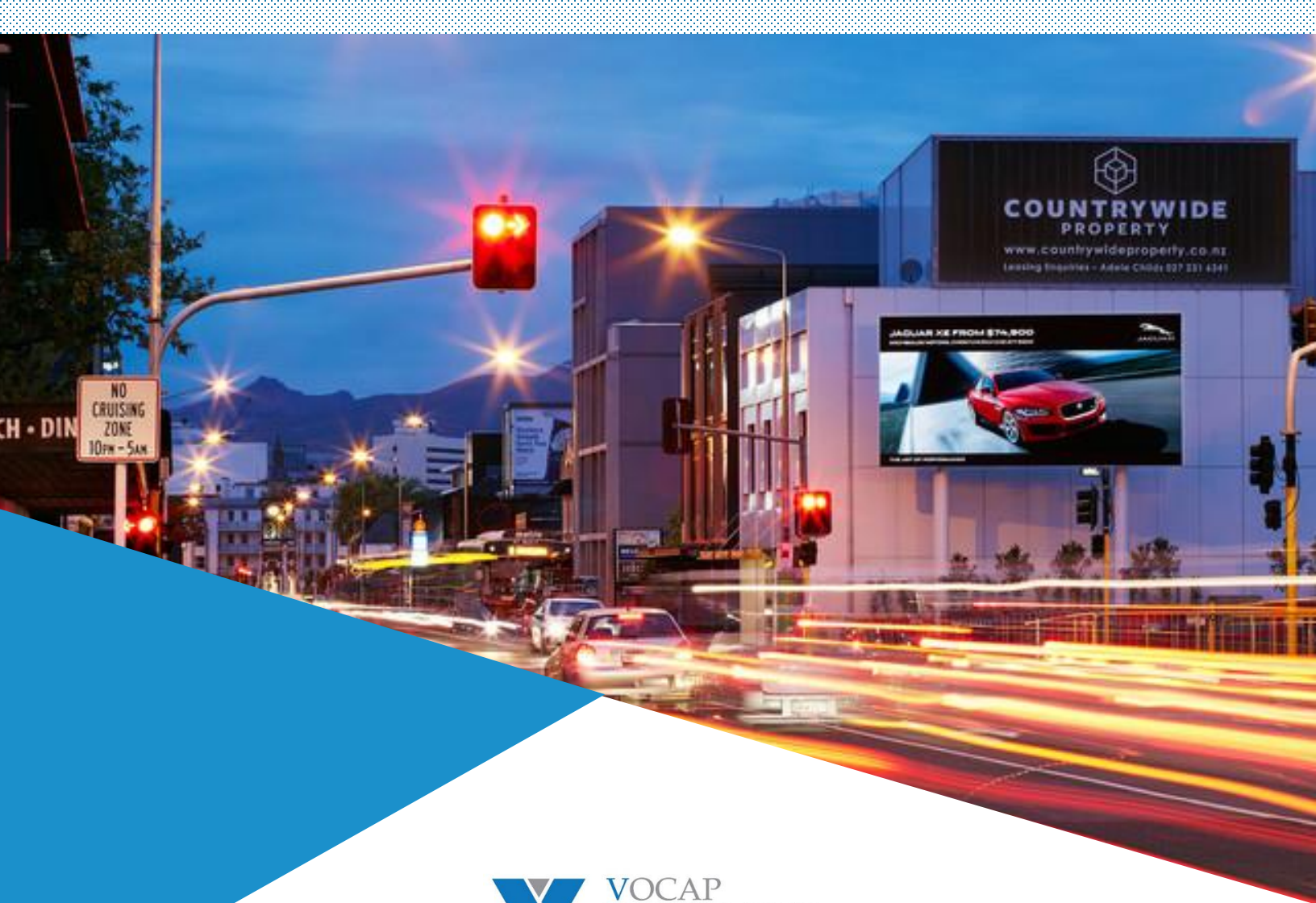
Global outdoor advertising sales grew for the eighth consecutive year to \$38.6 billion in 2018, with digital signage generating over half the revenues for the first time. Attracted by the opportunity or threatened, tech giants and digital mavens are positioning themselves via organic and inorganic investments to play a role in transforming the eco-system. Back in July, ecommerce giant Alibaba invested [\\$2.2 billion](#) in Focus Media, a Shanghai-based digital OOH firm.

On a smaller scale, Netflix recently raised eyebrows when it locked down permanent residence on Sunset Strip, buying up half of Regency's billboard inventory for [\\$150 million](#). Most recently, the leading digital signage marketing software company Broadsign announced it will be [acquiring Ayuda](#), an ERP for major inventory holders, for an undisclosed amount. As demand for OOH steadily increases and the channel attracts more attention from marketing and technology leaders, we expect to see the pace of innovation accelerate.

In Summation:

- Beware of over-dependence on Google and Facebook
- TV, print and radio are not a refuge
- Modern OOH is an attractive, underappreciated way to diversify and complement
- OOH is in the early stages of an exciting reinvention driven by data availability, hardware and connectivity advancements and new execution tools





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