

The Real TCO and ROI of Digital Signage

Digital signage is on the rise, which is unsurprising when you look at the performance statistics. For example in [retail](#), sales of four out of five grocery products experienced up to a [33% increase when promoted on in-store digital signage](#). In addition, digital signage delivers other meaningful business outcomes, such as improved customer experience with digital displays at checkout lines reducing the [“perceived wait time” by up to 40%](#).



When discussing digital signage with stakeholders we find two challenges: firstly, they do not understand the ‘whole’ cost of digital signage solution and secondly, they often fail to recognize the full benefits. Our goal here is to help you understand the details so you can build a comprehensive business case based on your needs and benefits. After reading this, you will understand the total cost of ownership (TCO) and be able to calculate the ‘real’ ROI of digital signage displays.

Many manufacturers in the digital signage marketplace have excellent online TCO calculators. While TCO calculators can be very effective, they are not comprehensive. Every digital signage deployment is different in size, scope, and complexity — so a single TCO model may not give a true representation of all the costs involved. To have an accurate view of the ROI and evaluate signage products, the solution must be viewed as a system, not solely as a piece of hardware.

To help you address these challenges, we developed a framework that fosters thinking about digital signage as a business case. With this framework, we will look to develop clarity around TCO and provide you with step-by-step pointers on how to work out the real ROI of digital signage.

Key cost components of digital signage

First, let’s uncover the costs involved in owning a digital signage solution: this includes all the upfront acquisition costs and after-sales costs, which will make up your [TCO calculations](#).



The upfront cost is similar to any display system and most businesses are quite careful when estimating and assessing these. These include the screen, the media player, content development, mounts, cables and installation labor cost. But this is just part of the 'cost'. One glaring mistake we often notice, especially with first-time adopters, is that they do not factor in the long-term cost of repair and replacement.

We have seen many businesses fall prey to the old saying — "out of sight, out of mind!" If you plan to run the screen more than 12 hours every day or night, you need to ensure a professional grade screen. When businesses overlook this critical aspect, they end up spending a lot more on expensive labor and repair costs. Additionally, a broken signage screen can compromise the customer experience and lead to lost revenue.

Digital signage benefits

Having laid down the costs involved, it's important to factor in the cost savings digital signage will make possible. Let's discuss some of the benefits of digital signage to illustrate the approach. If taken advantage of properly, these benefits will offset the costs and help generate incremental revenues.

Higher impact

Digital signage allows for breathtaking, attention-grabbing installations. Whether it's a still image, dynamic content, or videos — digital displays capture audiences with vibrant colors and powerful, visual messages. Ability to incorporate touch interfaces as well as design flexibility that digital signage offers, you can create a variety of configurations to generate the type of engagement you are looking for.



Statistics show that digital signage drives higher reach, engagement, recall rates, and are highly effective in motivating customers to take action when compared to traditional media:

- **Digital signs reach more customers than internet videos**

- **Increase in ad impressions**
- **Higher recall rates**
- **More impact on taking an action**

[A 2010 study by Arbitron](#) found that 70% of Americans have seen a digital video display in the past month, versus 43% on the internet or 41% on Facebook.

Of the 70% of Americans who recall seeing a digital display in the past month, 47% specifically recall seeing an ad.

[Another study](#) found that of those who saw a digital billboard, 55% could recall the specific message or brand.

In [a study](#) that compared static ads with digital ads, although both asked the same number of customers to go to the help desk to receive a free tote bag, only six people who saw the static ad claimed the free bag, compared to 610 people who saw the digital ad.

Value

Compared to analog installations and TVs, [digital signage delivers far greater value](#). In contrast with analog billboards, for example, you can deliver a range of messages depending on your business priorities, alternating them as often as you need rather than being stuck with costly and time-consuming billboard updates.



When comparing to TV sets used for signage purposes, professional digital displays bring superior visual performance, mura-free long operating hours, lower power consumption even at high brightness, and durability without extensive need for repair or replacement.

Content flexibility



Businesses often heavily invest in printed materials — maps, signs, menus, agendas, brochures, billboard posters, to name a few examples. All of which need designing, writing, printing and distributing. Digital content is substantially more agile and engaging and is easy to replace or alternate.



Resource allocation

Digital displays can generate substantial savings in personnel costs, as you can re-assign some repeated tasks reducing human error and insurance costs. Digital kiosks can take customer orders, indoor and outdoor signage can direct and inform visitors — and with [recent advancements](#) — do this in a highly engaging and personalized ways.

Measuring digital signage success

While digital signage brings many benefits to your business, its success needs to be measured in meaningful business outcomes. There are two ways to measure the success of your digital signage:

- Return on Investment (ROI) — calculating how profitable an investment you made is.
- Return on Objective (ROO) – setting a goal and then measuring your success against that goal. ROO is not usually related to money and looks to measure things like customer satisfaction, brand awareness, and customer experience.

Because we are looking at the TCO, we're going to focus on ROI and explain how it can be calculated. Working out ROI is based on the money you're making from your investment, the cost of the investment, as well as the amount of money you're saving from your investment. To put it simply, less cost and more sales amount to more profit.

Calculating ROI

The most accurate way to calculate the ROI of your digital signage is to compare sales data before you had digital signage to your sales now. If you have multiple locations, then you have the great opportunity of setting up digital signage in half of your locations and leaving the other half as they are. If possible, try to compare locations that have a similar yearly profit and footfall so variable external factors don't interfere with your test.

If you are a small business with one location, compare your sales data in a month without digital signage to a month with digital signage, or even better compare year on year. Again, try to pick two similar months so that variable factors don't intervene.

Once you've decided on your test, track the sales data in both scenarios – ideally year on year to avoid seasonality or certain events affecting the data.

When tracking sales consider:



- Total revenue (cash generated)
- Gross profit (revenue minus cost)
- Net profit (gross minus expenses)

Once you've got your numbers, now consider what you needed before digital signage or in the stores without digital signage, such as staff, TVs and printed materials.

Pulling it all together

By now, you should have an understanding of:

- The total cost of digital signage
- The benefits of digital signage
- Based on your sales analysis pre- and post- digital signage, a monetary figure of how many sales digital signage is driving
- Based on your pre-digital signage cost analysis, a monetary figure of how much you spent on staff wages and printed materials before you invested in digital signage

Then, here comes the math:

TCO of a display x Number of displays required = TCO of the digital signage solution

Sales increase + Signage cost savings - TCO of the digital signage solution = ROI on digital signage

Equipped with an understanding of how to calculate the real TCO and ROI of digital signage, take a look at our [professional digital signage portfolio](#). If you need further help evaluating the solutions, feel free to [contact our team](#).
