

TESCO Launches

Digital Retail Network

In one of the most sophisticated retail applications of satellite technology to date, UK retailing giant TESCO has launched an in-store television network to deliver specialized advertising content to an initial segment of 100 of its locations.

TESCO TV, as the network is called, has been implemented using Hughes Network Systems Europe's (HNSE) DIRECWAY® broadband satellite service. It provides news and entertainment along with promotional information on TESCO's branded products and those of its suppliers (who subsidize the network by purchasing advertising time).



In Europe, this business television concept is known as a "digital retail network." Retail shoppers are likely to be more receptive to advertising messages—and more likely to take action on sales offers—because these messages are physically at the point of purchase.

For TESCO, the decision to launch the in-house television service made sense as a means of increasing market share and in-store sales figures. The company already claims a 27.3 percent share of the UK grocery market, and is the leading UK retailer in the baby goods market. In home entertainment, TESCO has seen 60 percent sales growth in DVDs.

According to Bill Pennell, the company's Media and Revenue Generation Manager, "TESCO is always driving to maximize the in-store customer experience." TESCO TV, Pennell said, offers a means of "providing more information to our customers directly at the point of sale. For our suppliers, this creates a genuine opportunity to better communicate with their and our end customers."

TESCO's trials of the network measured an average increase in sales of more than 10 percent among the 62 brands featured. TESCO TV has also enabled the retailer to cross-sell and promote other products within its portfolio.

The largest of its kind, and more to come

"This implementation is the first of its kind on this scale. With this implementation, TESCO will change the landscape of the retail industry."

Bob Clarke
IMG founder and CEO

Even though other business television networks have been implemented on both sides of the Atlantic before TESCO TV, the sheer scope of this initiative captivated everyone. What's clear is that TESCO TV is proving the analysts right. For the past several years, industry observers have maintained that the market for satellite business television is expanding. In June 2002, CAP Ventures estimated that growth in US narrow-casting would increase from \$388 million in 2002 to \$2 billion in 2006, with Europe set to follow the US trends. A year later, Northern Sky Research predicted 400 percent growth in the industry by 2006.

And you can bet that as the global leader in broadband satellite, HNS also sees a tremendous potential for business TV, brought to you by DIRECWAY. ■

A complete solution

TESCO's plans for its TV network were announced in March 2004, and the initial 100 outlets are already operational, with expansion planned to 300 stores by the end of the year. Along with HNSE, who was contracted for overall systems integration, installation, management, and maintenance, plus ongoing DIRECWAY service delivery, several other companies are involved. Content development for the TV network is being provided by Instrumental Media Group (IMG) and by SkyNews from BSkyB. Other contracting partners include Innov8 for content encoding and management, and SatVision for hardware installation and management. SCALA software schedules and plays content.

IMG's content is distributed via HNSE's DIRECWAY two-way satellite broadband service to as many as 20 large plasma screens and 20 LCD flat-panel display screens at each TESCO outlet.

Seven different channels of programming are available in the stores, with specialized content delivered to specific shopping areas within each store.

The programming content, stored as large multimedia files, is transferred to all locations simultaneously via satellite. Because of DIRECWAY's two-way IP broadband link, TESCO can verify in real time that each store has received its intended files. With the support of SCALA's software, content can be changed and resent to all stores or any group of stores within minutes.

This comprehensive control is a critical component of TESCO TV's business model. Borrowing the concept of "digital ad insertion" from traditional television networks, TESCO subsidizes the operation of its system by selling spot time to its suppliers. These advertisers can contract for customized media purchases, specifying zones and times of day in which their advertisements will run. The system developed by HNSE ensures complete coordination and delivery of content, all from a central hub location.

Because the network is built for in-store distribution, components were connected with cabling rather than wireless technology to prevent interference with other wireless devices in use at the retail outlets.