

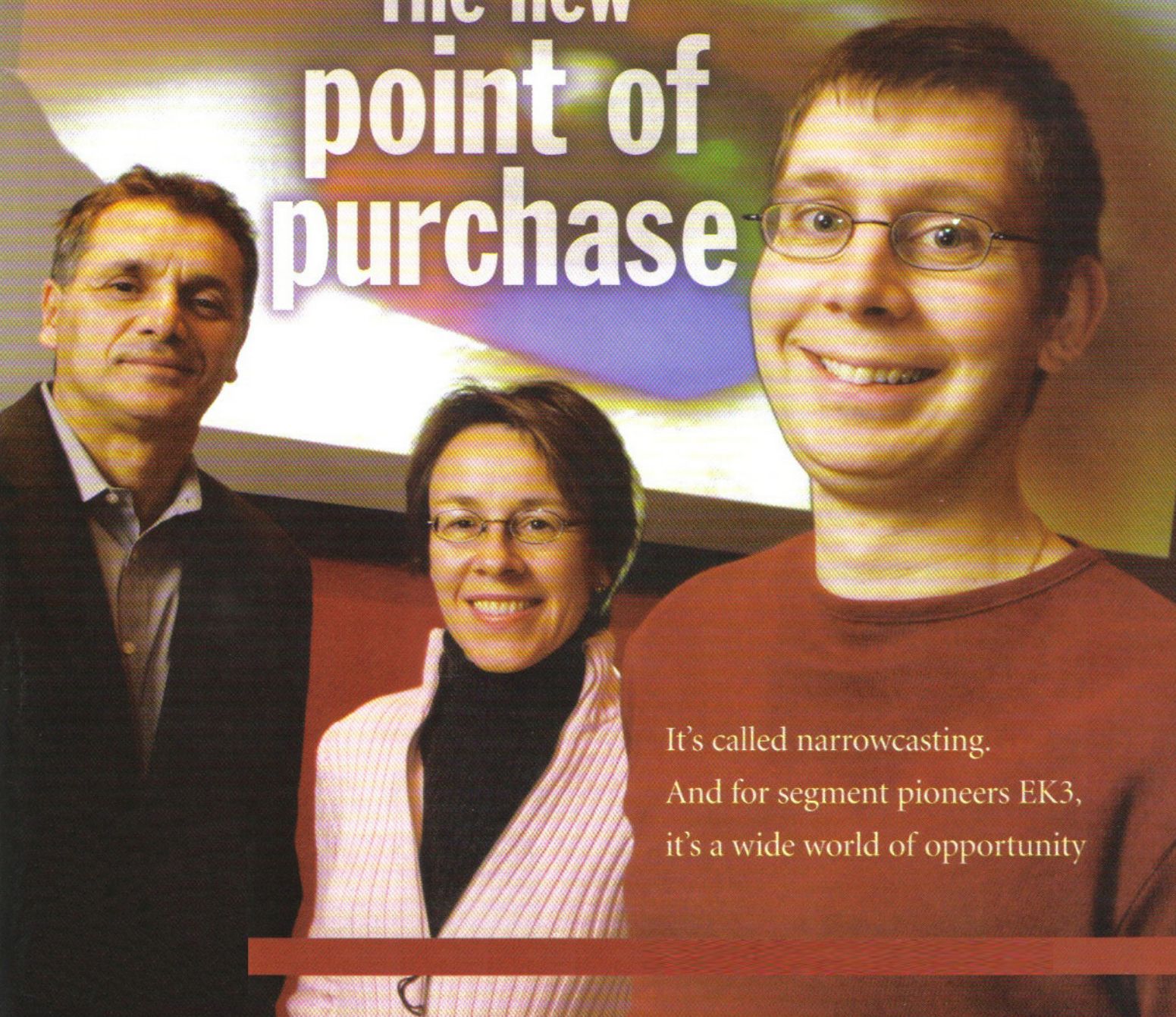
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The new
point of
purchase



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And for segment pioneers EK3,
it's a wide world of opportunity

Cover Story



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By Mary Ann Colihan

MARSHALL McLuhan's oft-quoted prophecy that the medium is the message rings true with EK3's narrowcasting technology. Narrowcasting is a seductive medium designed to educate, enlighten and most of all, entertain you. But its message arrives at what marketers call the "moment of truth" or "the last retail mile", when the decision to buy is made and they want you hooked.

Unlike broadcasting, which by definition sends out messages to the mass market, narrowcasting takes dead aim at existing customers. Narrowcasting technology networks and digitizes promotional and other types of media content on a playlist, similar to those on an MP3 player, and streams it through an array of digital screen formats. It works best



when the target audience has a break in his or her daily routine—at the bank, pumping gas or picking up a coffee—and can be captivated by a digital screen.

Nick Prigioniero is president of EK3, a private company in the business of multi-media engineering. EK3 is near the \$10-million mark in revenues with 36 employees. In this market, where customers can have thousands of video screens across the country, content is king. “If information isn’t relevant it becomes digital wallpaper,” says Prigioniero. And don’t confuse all flashy digital signs with narrowcasting. “Anyone can link a video screen up at point of purchase and loop the same video through over and over again,” he says. “That’s not what we do.”

Narrowcasting is considered a “killer application”. According to Frost & Sullivan, a New York-based consulting firm, ad revenues in digital signage are expected to grow from US\$102.5 million in 2004 to US\$3.7 billion by 2011—an annual growth rate of 67.1%. EK3 is riding the crest of this next wave of advertising. It is not without irony that EK3 is located in space vacated by the former CFPL radio station in the heart of London’s old media empire, the *London Free Press* building.

Narrowcast advertising is driven by sophisticated

software that crunch through countless algorithms to choose and deliver marketing messages at the right time. “We try to tell stories in an emotional way,” says Ken Stuart, co-founder and chief technology officer for EK3, and executive producer of their Channel 3 division. “In a loop of content that might run for two minutes or so, there are six 10- to 20-second snippets. Not all of them will be about the product.” Stuart says their challenge is to educate clients that narrowcasting is not television, the web or a magazine. “We are building brand. It’s a friendly and cost-effective medium, but you have to mix it up.”

Typically content is changed anywhere from every two weeks to three months, based on the client’s budget and needs. Channel 3 offers fully-produced media, such as animated photography, voice and video, as well as data feeds from third-party sources including news and weather networks. EK3 does not have direct competitors with the same product breadth and ability to deliver content. For example, San Francisco-based Premiere Retail Networks (PRN), which supplies digital signage to Wal-Mart and Best Buy among others, buys ads from their suppliers and streams content from other sources such as news channels. To get an idea of the magnitude of the

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back row, from left: JOHN BENNETT,
JUSTIN BRUNNER AND ANDREW FIRST
front: NICK PRIGIONIERO AND ADAM CAPLAN

industry, PRN is considered the fifth largest American broadcaster.

Production of narrowcasting content often requires high-definition broadcast—quality equipment and a team of creative people. Channel 3 employs six but often uses freelancers or works with their client's advertising agency, depending on the project. At a recent video shoot for a food retailer, EK3 displayed their subliminal talents for that last retail mile. Picked over blueberries were oiled and buffed under a battery of bright lights, drinks heated to waft the right amount of steam and food was arranged so fetchingly you would gladly eat the crumbs off the floor. Hours of prep work go into each 20 second segment because these spots have to grab your eye.

EK3 is a true London technology success story spun out of the University of Western Ontario's department of engineering in 1998. Co-founders Ed Elliott and Ken Stuart (the E and K of EK3, with Western being partner number three) were graduate students with an itch to create a company to leverage their academic interests. In addition to having

a master of engineering science degree, Stuart studied cognitive science and how people retain messages from technology. Elliott is a software specialist on the server side of the business. Dennis Michaelson, EK3's vice president of engineering, was hired as a PhD student in automation engineering and robotics. He built hardware, but as a carpenter he also hung their big video screens and built cabinetry.

This close-knit relationship between Western and EK3 continues to thrive and evolve. Franco Berruti, dean of Western's department of engineering, regards EK3 as a model of industrial-academic partnerships. The EK3 Innovation Lab in the Thompson Engineering Building on campus, opened in 2005, is just one example of their collaboration. Western regularly sends scholarship students to EK3 for real-world training. And in the area of new business creation, EK3 shines. "I've always disputed with officers of technology transfer that some of the best ideas are in the minds of the students more than professors," says Berruti. "Students have less to risk and can be a gold mine."

EK3 has never lacked for strong mentors and investors. "Everything hit the skids for tech companies when we started, but it was a great time to live through," recalls Stuart. "What doesn't kill you makes you stronger." The



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Beacon Award, one of only three Canadian companies to be so honoured. The winner will be announced at IBM's Partner World global conference held in March, 2006.

Gary Isaacs is the vice president of business partnerships for IBM Canada. He says partnerships with companies like EK3 are critical as IBM moves away from commodity applications to enterprise solutions. With the largest installed base of computers in Canada, IBM has exceptional market clout. They move where their higher-value customers lead them. "EK3 appealed to us on that basis," says Isaacs. "We believe growth is built on solutions that map with our business. We look for technical and marketing skills and integrity. When those things are aligned we say, wow, this could be a successful partnership." Prigioniero anticipates that with IBM's Global Certification an enormous opportunity

opens up with customers of all sizes.

EK3's Media Engine hardware combines their Linux-based software and ethernet-IP network technology to power narrowcasting. Their Media Engine, which looks like a piece of high-end stereo equipment, is assembled here from components sourced elsewhere. Years of working with off-the-shelf personal computers, with cost and performance fluctuations, drove them into the hardware business. "Our system had to be reliable and we didn't want to have to re-program the box after three months," says Ed Elliott, vice president of development and EK3 co-founder. "We don't have fragmented accountability," adds Dennis Michaelson. "You don't get the run-around from your software and hardware providers saying it's not their problem and call someone else."

Their software has the intelligence to send tailored messages based on the

time of day, temperature or a previous purchase made. "Loyalty programs such as your gas or frequent flier card have the information companies like EK3 are allowed to use," says Michaelson. In time, the narrowcasting system will mine retailers' massive databases to know your product preferences and send you tailored messages or coupons.

EK3 maintains and monitors the network after installation and runs a state-of-the-art data centre in London for back-ups. Customer data is encrypted, there are multiple authentication steps to ensure security between servers and transmission is 24/7. This meets the expectations of their largest customers who cannot afford downtime. They promise customers their technology is scalable, reliable and secure—the same expectation they have with traditional broadcast and telephone networks or the internet.

They say they take a scientific approach to each customer display. "We're display agnostic and just go with the right tool for each client situation, which can be at a gas pump, in a restaurant, at a drive-up kiosk or in a convenience store," says Elliott.

For some customers, narrowcasting can help them grab a share of heart. "Financial institutions are sometimes perceived as impersonal," Prigioniero says. "You may not know your bank branch did a walk for cancer unless you are looking for a notice when you come in." And for customers like the Royal Bank, it is easy to customize messages by geography. "Your branches may not do mortgages in Rosedale but they will in Burlington," says Prigioniero. "In Asian neighborhoods we can wish customers 'Happy Chinese New Year' or tell them, 'We speak Mandarin.' This is a particularly strong tool in banking because every branch is different."

And every human is, too. McLuhan wondered if this message would someday find the right media. ■

