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2008 Digital Signage Year in Review

Digital Signage "Turned the Corner," maturing in 2008

This article by Lyle Bunn, an independent consultant widely recognized for his work as an advisor, educator and commentator in North America's Digital Signage/DOOH industry, provides a summary of the major trends and developments in North America's digital signage industry during 2008, referencing key indicators of future developments.

By Lyle Bunn

Rewards began to show in 2008 for astute digital signage suppliers and network operators. After several years of sustained hard effort industry maturity was evident on a broad range of fronts. Several areas of development and growth indicators suggest that exceptional opportunities will be available during 2009.

The core proposition of digital signage, that of centrally-controlled, compelling media managed and presented and in a completely digital communications supply chain, continues to position digital signage as undeniably valuable as a communications tool for customers, patrons and staff. The increase of its integration with print signage, point-of-purchase displays, internet, mobile, TV, radio, catalogues, circulars and other devices is further increasing the impact of digital signage.

Advancement in technologies, business models, supply structures, applications, advertising infrastructure and display inventory and the growing levels of capability to plan, deploy and successfully operate networks are clear. Digital signage emerged further in 2008 as a big "I" Industry.

The numbers were all up in North America. Industry revenues grew 24.5% to $1.687 billion toward a projected $2.6 billion by 2011 with installed displays increasing 18% to 837,000 according to InfoTrends. PQ Media reported 2008 U.S. advertising revenues of $1.4 billion for U.S. Video Advertising Networks.

The name "digital signage" was most commonly applied during 2008, with the term "Digital Out-of-Home" (DOOH) gaining increased use to describe advertising revenue-based applications and networks.

The particular highlights of the 2008 year for the Industry were:

- Growth, growth, growth!
- The value of new supply models clearly emerged.
- Improvements in measurement approaches for audience and effectiveness.
- The Mountain of information about digital signage increased.
- The range of technology options increased.
- Harbinger deployments proceeded.
- Digital Signage grew in investment attractiveness.

While reflecting on an industry at large is challenging given the wide range of situations in an even widening range of areas in the industry, the following reflect some bell-weather changes and harbingers of the 2009 to come.

"The covers came off." Growth has guaranteed that digital signage would gain increasing notice and the industry's true colors were revealed as it gained the notice by the providers and users of other media in particular.

Digital Signage, as a completely digital communications supply chain using the integration of technologies for the creation, management, transport and presentation of still and motion text and graphics, continuously proves itself as a powerful communications medium. Studies continued to illustrate that digital signage generates awareness and action, serving as a highly effective tool to inform, engage and influence.

The blatant reality has been revealed though that technology alone does not deliver results – it requires clear objectives, astute deployment, thoughtful application of the enabling technology along with a strong focus on operations in order for desired results to be achieved. During its maturation, digital signage has been a technology "collection" or ecosystem looking to find its application. Now digital signage is a media seeking to contribute most fully to communications objectives, typically in conjunction with other communications devices such as internet, static signage, print, mobile, TV, etc.

During 2008, TV/Cable broadcasters recognized the importance of digital signage. The National Association of Broadcasters published an NAB Executive Technology Briefing written by Jimmy Schaeffler, (a "must read!") and held it's first-ever session on digital signage during its annual conference. An august Advertising Age magazine article announced "ABC, NBC, CBS move from living room to digital signage."

Broadcasters will continue to watch DOOH as it is a natural extension or alternative to TV advertising, revenues through which will be hard won in 2009 given the effect of economic downturn on large traditional advertisers including automotive and financial services, the lack of Olympic and election advertising and the shift to Out-of-Home and point-of-purchase media.

The Consumer Electronics Show in January 2009 will include that organization's first-ever sessions on digital signage.

Supply Chain. *A new category* of supplier, the "Digital Signage Business System Provider" (DS-BSP) emerged as a strong supply model, reflecting the desire of end users to focus on their core business while also enjoying the advantages offered by digital signage. An example firm is DDC Digital Display & Communications, which was recognized with a DIGI Special Judges Award for its refinement and application of this technology-agnostic, full service, client-collaborative supply approach.

System Integrators and commercial audio-visual providers are getting on the digital signage band-wagon, savoring new higher margin business, protection and expansion of their client base and the potential for ongoing revenues. Some, such as ET Entertainment Technology (www.ETideas.com) have strong internal information technology (IT), internet protocol (IP) and mobile device skills that have allowed for strong early supply positioning in digital signage. Others are adding IT and IP skills to their knowledge of audio-visual and making the important transition from transaction-based hardware supply to relationship, consultative, services-based, recurring-revenue supply models.

USAV Group members have become a significant supply force for digital signage, and many of the companies in this cooperative are serving as the local, full-service technology provider of large, state-of-the art systems. Mike White, a founding force of USAV is as passionate in his role as International Director of InfoComm, to have more system integrators and commercial AV providers add digital signage to their offerings.

SaaS, "Software as a service" was refined as a supply model. The affordable monthly investment in using digital signage software makes it easier to proceed with projects. Many software providers now offer their products on a monthly fee. Importantly, this positions these providers to add other services such as playlist administration and content provisioning, while assuring a close ongoing relationship with their end user clients. The SaaS model helps to "recession-proofs" digital signage.

Large firms continue to announce their entry to the business. In 2008, Ingram Micro and National Datacast, Inc., the commercial subsidiary of PBS, announced themselves, following entry by Cisco, IBM and HP the previous year.

Measurement.

"Content is King but Measurement is Queen" – (and it is she who must be obeyed)! The enthusiasms for the inherent characteristics of digital signage found increasing validation through measurement. While this was necessary to the medium finding its place, the advancement of the measurement of the impact of digital signage bodes very well for future advertising and deployment investment.

In October, the Out-of-Home Video Advertising Bureau (OVAB) released Audience Metrics Guidelines, allowing DOOH to move toward direct comparability of the metrics of viewers of various networks as well as to other media. In late November OVAB announced a European Chapter Chaired by Neo Advertising.

The measures enable the calculation of “Average Unit Audience” based on a) “Presence”, Quantifying viewers is in the area where the display is visible and, if appropriate, audible, b) “Notice” - Evidence that the screen has been noticed and c) “Dwell time” – the viewers’ time in the display area.

Other measures that determined the ability of digital signage to generate awareness and motivate action, such as a purchase, website visit, mobile download, etc. were advanced in retail, out-of-home and staff communications applications.

Eye-gaze and eye-tracking measurement advanced considerably as CognoVision integrated its “Anonymous Impression Metric” into additional software platforms and turnkey applications such as Artisan’s Ncap product (which won a DIGI Award). TruMedia announced a trial version of its simplified “face-tracking” capabilities and DS-IQ’s ability to correlate point-of-sale data with playlists figured prominently in Walmart’s next generation Smart Network announcement.

“Event fatigue” and “information overload.” crept into the 2008 industry as associations, suppliers and conference producers offered a barrage of events. Many events offered high value to suppliers requiring product currency and supply chain relationships, as well as end users seeking points of supply contact and orientation to the medium.

While there were over 20 trade shows and conferences with a focus on digital signage/DOOH during the year, those that continued to provide the greatest value included InfoComm, Digital Signage Expo and The Digital Signage Show/KioskCom-Self Service events. Conferences produced by the Strategy Institute (www.StrategyInstutute.com) provided extremely high value as reflected by delegate comments.

In addition to events, a small mountain of information about digital signage was made available. In any given month 6-10 webinars were offered, a half dozen blogs and as many as 15 news emails/e-zines provided industry updates on a daily or weekly basis, with at least 70 subject-specific reports, whitepapers and presentations made available for download.

But at the same time, information availability was also a key need. Much of the information reflected a “pluralism” of perspective, rhetoric, mutually-supporting opinions or very high-level information but guidebooks, samples of best-practice, structures for fulfillment, style guides, “apples-to-apples” product comparisons and “how to” manuals that could allow for faster, better risk-managed application of technologies were not readily available. Those seeking information about digital signage could find themselves buried very quickly.

Associations such as the Digital Signage Association (DSA), Out-of-Home Video Advertising Bureau (OVAB) and Canadian Out-of-Home Digital Association (CODA) and JADN.tv established strong memberships and the basis for ongoing programming.

The technology advanced: While all areas of digital signage technologies made advances, three areas made particular strides.

Software, as the key ingredient of digital signage infrastructure was an area of expansion. A report of 120 different digital signage software products was released by the Digital Signage Association and DigitalSignageToday.com reflecting on some 65 selection criteria. During 2008, “software as a service” (SaaS) was advanced by firms such as BroadSign, digital signage software was more tightly integrated with CCTV and narrowcast systems by firms such as Capital Networks, and with GPS and data feeds by firms such as Omnivex, Enqii and others.

Wireless connectivity grew significantly in profile. MediaTile, Walsh Wireless, AdShift and others offered new cellular-based products for rapid and flexible deployment and for mobile applications. ICG announced a connectivity/media player combination to deliver digital signage content as well a WiFi location hotspot. The approach is that while the ICG service can deliver 3 different media channels to a location for information, promotion and entertainment, the WiFi service provides offsetting revenues or an internet connectivity for patron of the location.

Datacasting from National Datacast, Inc (www.NationalDatacast.com) became a connectivity option, and this, along with cellular and other wireless connectivity options could accelerate the speed of deployments in the growing digital signage area.

“All-in-One,” “plug-and-play” digital signage such as that presented at TheSimplePicture.com became a useful way for sign providers, digital printers and AV providers to become digital signage providers and for end users such as retailers and service providers to take advantage of dynamic display. A similar device from NEC Display Solutions received a 2008 DIGI Award for their MPD-SBC-16 single board computer based as its seamless internal PC integrated with an LCD display.

The growing number of products available in all areas of digital signage technology has increased the challenge of product selection, as “apples-to-apples” comparisons, feature differentiation and cost-benefit analysis becomes more difficult. The importance of defining communications objectives and functional requirements is increasing as the range of product and supply options grows.

LongPen, which would provide videoconference-based interaction between a celebrity and a fan along with real-time autographing, was profiled as a value added capability for retailers and their store networks. By increasing store traffic for signing events and leveraging digital signage as a promotional tool, LongPen has also offered access to the promotional and event budgets of product providers.

Deployments moved forward: Many deployments proceeded in 2008 with some providing strong future indicators.

Wal-Mart: As a strong indicator of the success and acceptance of digital signage in retail, Walmart announced that after 2 years, $10 million in research and testing of a next generation network in 40 U.S. stores, Walmart will move forward with the new "Walmart Smart Network" in 2700 US stores." It will include 27,000 displays installed over the next 2 years and will include "response measurement and message optimization." It will be financed and owned by Walmart and underwritten by selling advertising to CPG brands. Mike Hiatt, Director, Internal Media Networks at Walmart said, "As Walmart sees it, the five A's of in-store digital content are appropriate, affordable, adaptable (to different environments, stores and demographics) attractive and assembled quickly."

DS-IQ, which uses a proprietary analysis tool to compare sales at check out to media being played is regularly referenced by Walmart, with Hiatt noting, "DS-IQ's system proved conclusively to Walmart executives that when quality content is screened on the network, sales of the products that are advertised on the network increase in real time". Walmart's "In-Store TV" is often referenced to be the US's fifth largest TV network (behind NBC, ABC, CBS and FOX) due to the foot traffic at Walmart of "120-130 million viewers a month."

New networks: It is a strong indicator that after as much as 3 years of planning, pilots and refinements, numerous networks proceeded to roll-out. Examples include Airplay America (salons), Sports Retail Network (golf and sporting goods stores), KFC (quick serve restaurant) and others that have proceeded to long-anticipated installation.

As annual spending increases by 25% annually beyond its $1.6 billion level, deployments in advertising and corporately-funded networks (and hybrids of the two) will accelerate past 2008 levels.

Industry Investment: While investors are caution by nature, many have a clear eye for the opportunity inherent in digital signage. This was reflected by the ballroom full of investors that attending the October 7-8th, third annual Strategy Institute DOOH Investors Conference. Large audience sizes, the strength in the core value propositions of digital signage, its ability to deliver viewer targeting and high ROI for communicators, the growing display inventory and maturing in both ad sales and DOOH media planning/buying capabilities are all referenced as compelling investment rationale.

Investment: In September Stratacache announced a $25 million investment fund and Engii completed an $18M Series B round. Titan Worldwide announced that it is to spend $90M over the next 36 months rolling out digital signage networks across its bus, rail and subway portfolio, beginning with Chicago and London. Numerous investments of $2-10M including Sports Retail Network, SeeSaw Networks, Adcentricity, Captive Media, ECast, Channel M and others provide indicators of consistent and healthy investment growth in the sector. As investors are defined by "investing" and seek reliable and above average returns whatever the financial weather, DOOH is seen as viable for investment consideration.

Acquisitions in the North America industry included Helius ($31M) by Hughes, MISC by Scala, ClubCom ($25M), InSite Advertising and Smart One Media Inc. by Zoom Media, AccentHealth by M/C Venture Partners and Banc of America Capital, Barfly by TouchTunes Corp., Mason Media Networks by Ariel Way, Traffic Comm Plus by Neo Advertising (which has had 5 acquisitions in the past 3 years), Transit Television Network by IdeaCast and the merger of FuelCast and Boothan. Additional, there were over $160M in at least 8 major international merger/acquisition transactions.

CapEx to OpEx: A primary development has been in the ability to finance capital investment, effectively turning capital expenditure into an operating expense. This makes digital signage deployment much more viable as it supports cash preservation and credit management goals by end users, while aptly reflecting the operational benefits of digital signage. Alliance Financing has demonstrated leadership in this area, in particular through its cooperation with Ingram Micro. The combined proposition of technology supply and management, with financing, means that significant, viable deployment of digital signage can proceed.

Ad sales: Many media planners and buyers acknowledge substantial growth in the capabilities of DS/DOOH network operators to present and "sell" network inventory. In addition to the internal sales force of ad-based networks, 2008 saw substantial expansion in the reach of DS/DOOH ad sales agencies, which represent multiple networks. Adcentricity and SeeSaw Networks, each with their unique business models, expanded their operations including the display inventory each represents and their reach into media planning/buying organizations. ABC, CBS, NBC, Charter Digital Media, MediaPlace expanded their sales of DS/DOOH advertising and during 2008 several new firms announced themselves to the ad sales marketplace including Adsemble, UnSoldSpace and the rVue advertising exchange from RMS Networks. 2009 will see further significant advancement in ad sales capability.

Adroit business development and financial management is proving to be critical given the long sales cycles demonstrated and expected to continue with digital signage. The receivership of Reactrix and losses by Wireless Ronin based on Q3 disclosures of revenue at $5.5M, year-to-date loss of $13.8M with current cash reserve of $18M, indicate the need to manage resources and growth well, in particular as banks may tighten commercial credit and end-user budgets come under increased scrutiny.

2009 Outlook: 2008 demonstrated that significant opportunities exist in Digital Signage and Digital Out-of-Home, for users, advertisers, suppliers and investors. Improved supply capability, systems integration and network operations topped the list of needed services.

The worst, and the best aspect of a tough economy is that every expenditure gets more careful examination. The bad part is that selling cycles are longer and more demanding (on order-takers in particular!). But as the 2002-3 economy demonstrated, cutbacks in areas of lower investment ROI and re-distribution into areas of higher value bodes well for digital signage. Digital Signage, as the new medium on the block, has had to sell hard and prove its worth, and it has done well with steady and continuous growth of 25-45% CAGR. Forecasts have North American digital spending at $1.6 billion in 2009 (up 24% from 2008), and installing 18% more displays en route to an expected 1 million displays communicating to shoppers, patrons and staff. While the "macro" of the economy makes for dark skies, the "micro" part - connecting people with brands with efficient visual communications continues to be bright. Areas of unsubstantiated investment and cutbacks (i.e. conversion to digital billboards) will be offset by areas of worthy investment. The “net” of it is overall DS/DOOH industry growth, even as other communications approaches experience declines in revenue, margin and growth.

Content: During 2009, advances in “Content”, media trafficking and differentiation could be expected.

While the term “Content is King” resounded throughout the year, “content creation” continues broadly to be more art or craft, than science or discipline. Standards of practice for the creation/composition of short, simple, animated messages inexpensively produced are being sought by all who believe that too often digital signage spots looks like “powerpoint” or website content.

Media trafficking will see the development of streamlined approaches in 2009, as communicators seek to message on displays of multiple layout, format and networks, and network operators seek reduced costs of business and increased ease of commerce on their part and that of advertisers.

“Differentiation” can often negate “opportunity” in an emerging market. The number of business opportunities that now exist means that suppliers can assume a “we do” versus “me too” stance, providing greater clarity in their particular competencies, product features and supply approaches. With this clarity will emerge better differentiation and further acceleration of this high growth, high value Digital Signage and Digital Out-of-Home industry.

“The Gap:” The final word of 2008 in review and 2009 outlook recognizes “The Gap” between technology capability and application. Industry growth is directly correlated to

how rapidly and effectively the enabling technologies that form the foundation of digital signage/DOOH can be planned, applied, demonstrated and further developed.

The indicators of success such as accuracy of forecasting, shortening sales cycle and platform dynamic suggest the need for attention and expertise on the part of the industry to better bridge this gap. Better indicators of industry advancement include the growth in the number of audience, displays, playlists, advertisers, content spots and communications impact.

2009 has all of the makings of a banner year for Digital Signage and Digital Out of-Home.

About the author: Lyle Bunn is a highly regarded independent consultant, advisor, commentator and educator to investors, operators, suppliers and users of Digital Signage and Digital Out-of-Home (DOOH) Media, and is broadly recognized as a leading figure in North America's Dynamic Display and Digital Signage industry.

He has contributed to the development of many digital signage networks in retail, consumer services, hospitality and corporate/campus environments for consumer, patron, staff and student communications.

Lyle has also advanced the application of digital signage through over 50 published articles in areas such as mobile interface, loss prevention, communications measurement, business opportunity and best practice. He is credited with coining the phrases "Dynamic Ad Provisioning" to describe the presentation of advertising or information content based on viewer demographic, and describing digital signage as a "Middle Media" in the communications mix with print, web and mobility. He identified the "Digital Signage Business System Provider (DS-BSP)" as an emerging supply model, described the "concomitance" (synergy) between digital signage and cellular and is credited with identifying the applications interface between passive RFID and digital signage.

Lyle serves as a judge for the DIGI Awards and the Fourth Screen Out-of-Home Awards and was named as a member of the Adjunct Faculty of InfoComm International.

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