

# Trends Forecast 2008: Digital Signage Industry Analysis.

## Sustained double-digit growth while key aspects hit warp speed.

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By Lyle Bunn  
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2007 was a good year for digital signage (DS). Displays lit up to serve a wide range of communications objectives in a growing range of locations, new suppliers entered the business, many networks and suppliers received investment funding and advertising revenues accelerated toward the foreseeable \$1 billion mark and enabling technologies and the hunger for greater communications effectiveness continued to fuel industry growth.

“There will not be a ‘hockey stick’ year in digital signage but an extended period of compounding double digit growth,” said Norman McLeod, Director of InfoTrends, when presenting at PowerSigns2007 on December 5.

Some areas of supply and application will experience explosive growth with supply structures and the operational infrastructure of the industry advancing, aggregating and maturing. Indicators are that changes in supply and operating structures for digital signage, also known as dynamic digital display, dynamic digital out-of-home, location TV or narrowcasting will hit warp speed in 2008 and the after-burners of industry firms will be on full throttle throughout the year in response to opportunities.

While many forecasts or predictions may be valid, the following trends will have the greatest impact on the outlook, structure and composition of North America’s Digital Signage industry in 2008:

1. “Content” gets crowned as King.
2. Greater value is realized as digital signage is integrated into communications, other applications and environments.
3. Ad sales and media trafficking are expanded and streamlined.
4. Technologies continue to advance in several empowering ways.
5. Changes in supply structures accelerate industry revenues and streamline display deployment.

### **1. “Content” gets crowned as King.**

“If the content doesn’t work, the media doesn’t work,” said Bill Cook, Senior VP Research and Standards of the Advertising Research Foundation in

addressing a digital signage conference in Chicago in late November.

The phrase “Content is King” resounded during 2007, resulting in the growing recognition that play loop strategy fulfills the objectives of the DS network and individual spots that comprise the loop fulfill messaging objectives such as branding, merchandising, information, experience or other influences.

The focus on content as a primary element will mature in 2008 as advertisers, network operators and location providers decide to get more from digital signage investments.

At the same Chicago event hosted by the Strategy Institute, Mike Hiatt, Director, Internal Media Networks at Wal-Mart captured the “content” sentiment of many when he said, “My fear is that digital signage, at least in the retail environment, will be a fad rather than a new, vibrant medium, IF we choose to take the easy path and simply provide a way for marketers to avoid DVRs (digital video recorder attached to home TV).” He added, “It must be a different medium.”

Many in the digital signage declare “Content is King” while sound the call to action that content be improved, reflecting that for example play loop lengths and individual spots exceed the opportunity for viewers to see the intended content, and that content spots that do not exploit the medium.

Industry pundit Laura Davis Taylor coined the phrase “web on a stick” to effectively describe and denounce digital signage deployments that too closely resemble website page composition and content presentation, which is intended for audience-of-one, in-seat browsing rather than out-of-home, on-the-move message presentation.

*Play loop planning:* In a growing number of locations the play loop allocation of paid advertising is reducing as location providers realize the opportunity cost of “selling their eyeballs” and as increasing ad rates more readily cover network expenses. Play loop and ad spot planning will increasingly take into account the viewer dwell and probable viewing time as well as communications objectives. This and other aspects of content planning are addressed in the whitepaper titled “The *new* Madison Avenue Diet: Strategy for Performance-Focused Dynamic Signage Content,” available at [www.AlchemyInternational.com](http://www.AlchemyInternational.com).

Digital signage can deliver benefits with little effort applied. The inherent power of presenting video and animation at point-of-event make DS a compelling medium, and to a large extent, this in itself has delivered positive results despite poor play loop strategy and content spot execution on many networks and displays. Ads can be a small investment and get results if composed thoughtfully, because of the inherent characteristics of the medium, but the growing realization is that additional efforts result in exponentially greater

accomplishment.

In the interest of maximizing return on investment, “content” will reach a higher plateau of priority toward achieving network and advertiser objectives. In this escalation, display objectives will be better clarified, the standards of practice in composition will improve widely and measurement will be integrated more fully to optimize content to day parts and demographics, and improve advertiser and network investment.

In this process, the services of content strategy and production firms such as Alchemy will be integrated with the work of ad agencies, brand managers, media planners, retailers and digital signage network operators and ad sellers.

"Content" spots that fulfill communications objectives with target audiences will continue to grow as a primary focus of dynamic display use, and in this process, better audience targeting will demand more audience-focused spots.

*Targeting demographics:* An inherent characteristic of digital signage is that content can be easily changed and scheduled to speak directly to target consumers and audience profiles. Content will be developed that is designed for specific day parts and demographic targeting.

*Measurement for Content tuning:* Measurement techniques for Out-of-Home (OOH) Digital Media Networks will mature in application. Improved research approaches and analytics in the OOH space will further enhance ROI for both advertisers, location providers and network operators.

The desire for ROI will over shadow the typical reasons for not measuring ad effectiveness, which typically include lack of budget or time, challenges in understanding measurement and fear of knowing measurement results.

TruMedia Solutions CMO Dr. Vicki Rabenou quotes a New York Times article that, “the 20<sup>th</sup> century was the age of advertising, but the 21<sup>st</sup> will be the age of measurement,” in positioning the capabilities of the firm’s automated audience measurement tools.

“Granular response measurement, integrated with the medium, drives more effective execution and greater ROI,” says William Barbieri, VP of DS-IQ, a primary provider of shopper response measurement for digital signage.

## **2. Greater value is realized as digital signage is integrated into communications, other applications and environments.**

The trend indicates that digital signage will be much less of a stand-alone

medium. The term “integrated” will best describe the strategic, tactical and operational positioning of dynamic digital display.

*An additional marketing channel:* Since digital signage can do what no other communications medium can do (i.e. deliver compelling messages at the point-of-event under central control), it stands as a new, proven addition to existing marketing approaches and channels such as TV, web, circulars, catalogs, billboards, static signage, other OOH, etc.

As it is one of several communications approaches, DS is increasingly included in media plans, in particular, brand communications that seek point-of-event, “right time” message delivery, ubiquity and audience targeting.

The ability to re-use and leverage content/media elements across TV, web and in particular print will be at the root of content production economies and increased “speed to display.”

*Integrated into the environment:* The addition of electronic displays to an environment changes the experience at that location. There are many examples of positive contribution such as Hollister stores’ video wall of the Huntington Beach wave-cam, Polo Ralph Lauren’s “through the window” shopping, Rogers’ cell phone merchandising and Sears Canada’s “Jessica” signage and interactive sizing.

Physical placement of the electronic display can ease and improve content consumption. This increases the impact of the display and its ROI, while providing a more positive impression of the environment on the part of viewers.

During 2008, new ways of addressing audio conflicts will be developed to improve overall media presentation in an environment. Additionally, approaches to DS audio that cause less annoyance and greater inspiration to employees will be advanced by media consultants, player providers and content producers. The additional benefits of this will include greater shopper dwell time and visit frequency.

*Integrated with other systems:* The “digital” aspect of digital signage offers the opportunity for easy integration with other digital systems to increase efficiencies and realize greater benefits of each system.

A key trend is the addition of DS as an application to existing infrastructure such as an intranet, or integration with other operating applications such as point-of-sale or supply/stocking systems.

Integration with loss prevention systems illustrates a two-way integration. While data on store traffic can trigger changes in play loop pace or content, at the same time, the displays that show the use of in-store monitors to consumers

can be used to present branding and ad messages. This not only soothes the negative impact of these displays, but also frustrates shoplifter efforts to determine blind spots.

The display play loop will increasingly be integrated into technologies that increase the functional value of display. Examples of these include traffic analyzers, identifier devices such as barcode, RFID tags and card swipe scanners, proximity detection, aroma emitters, etc. In Toronto, a soup brand's ad is triggered in the outdoor video display's play loop when the temperature falls below a preset level.

The integration of DS as an application into operating infrastructure and with other applications will inculcate media presentation as a business tool to better achieve a range of organizational objectives.

*Kiosk/dispenser integration:* Mike White, President of the AV integrator Multi-Media Solutions Inc. calls kiosks "the cousins of digital signage." Self-service kiosks are widely installed to dispense information, coupons, cash, etc. through audience-of-one interactivity. The electrical power, connectivity and a highly visible location that is needed for digital signage are typically available.

Kiosks and automated dispensers have operated on the paradigm of private "audience-of-one" interaction involving confidential information or payment through a small, private screen. This has deterred the presentation of non-endemic promotional information on the available screen or the addition of displays to the base kiosk hardware to present messages to others in the viewing area. Several developments signal big changes in this area aimed at exploiting the investment in kiosk placement and operations.

*M-Commerce:* During 2008, the business models related to the integration of digital signage with SMS, text messaging and other mobile commerce (m-commerce) will be developed further.

The drivers for integration will continue to be cost reduction or deferral, revenue and margin generation, and improvement to branding or a patron experience.

### **3. Ad sales and media trafficking will be expanded and streamlined.**

As advertising on networks increases dramatically by media plans being activated while digital signage display inventory expands and is better described, the trend is toward more ad selling and better media trafficking.

The availability of "plug-and-play" systems will increase small deployments and impact the way in which local advertisers will engage with the medium. This will trigger the engagement of local display ad sales and it could be anticipated that "local" ad sales organizations, such as Yellow Pages and

internet ISPs, and sales organizations for print or electronic publications, will enter this display sales arena.

Sales agents from other media, such as TV, cable, print, etc. will have the opportunity to broaden (or even bundle) the viewer exposures that they sell, while leveraging sales force efforts to generate additional revenues.

Meantime, billboard sales forces, which currently sell over half of billboard display inventory to local advertisers, will exploit the revenue and commission opportunities available from the growing base of digital signage displays.

*Ad selling aggregation* began in late 2006 and advanced during 2007. SeeSaw Networks, for example, now represents over 15,000 display locations and have an automated media planning and ad placement tool on the desktops of most major out-of-home media buyers.

Other digital signage ad sales organizations, such as Charter Digital and Adcentricity, or the internal sales forces of non-competing digital signage networks, offer the opportunity to maximize ad sales contact with media buyers.

*Media trafficking:* The members of the Out-of-home Video Advertising Bureau (OVAB) account for over 700,000 ad-based digital display displays. The Canadian Out-of-Home Digital Association (CODA) represents virtually all major ad-revenue model networks deployed in Canada.

Ad sales aggregators and network operator associations recognize that ads must often be reformatted for presentation on individual networks and must increasingly be sent to the operations center of multiple networks.

Given the achievement of a critical mass of installed displays, the establishment of media format standards and media trafficking approaches will become a high priority for the industry in 2008.

#### **4. Technologies continue to advance in several empowering ways.**

The technologies that underpin DS and enable the achievement of communications objectives will continue to advance in multiple important ways around the core proposition that digital information technologies and telecommunications (ITT) enable DS, making it a unique and extremely powerful communications tool.

The price/performance of individual elements such as displays, media player, play list management, connectivity, etc. will continue to improve.

Technology elements will be bundled and integrated to allow turnkey digital signage. As the media play out is integrated into LCD or plasma display, the

ability to deploy stand-alone display will become easier as “plug and play” in work, consumer services, retail and patron environments. As a result, commercial audiovisual (AV) will increasingly supply and individual brands will place more digital display at point-of-purchase.

## **5. Changes in supply structures will accelerate industry revenues and streamline display deployment.**

These changes in supply points are occurring at numerous points, all of which point to accelerated deployments and market growth in 2008.

The availability of turnkey, integrated, “plug and play” technologies will allow existing electronics retailers and distributors, suppliers of commercial AV and communications services providers to more easily enter the DS supply sector. Organizations such as InfoComm, and print media such as Sound & Communications magazine, are working vigorously to introduce commercial AV firms to digital signage supply.

Providers of flat panel displays such as MediaTile, LG, Planar, Samsung, NEC and others will be filling the distribution supply pipeline with products that serve the commercial need for stand-alone or low volume “networked” display.

*New suppliers:* Turnkey systems will be available as a stock item from retailers and distributors such as Best Buy, Future Shop, Ingram Micro, Ssynex and others, resulting in the growth of panels deployed.

*Giants supplying DS:* Further, the supply capabilities of primary technology suppliers such as IBM, Cisco, Ingram Micro and others that had been in development during 2007 will create a major market impact in 2008. The National Retail Federation’s Annual Convention & Expo in January, and the Digital Signage Expo in late February, offer excellent announcement points. The project financing, management and sourcing capabilities of these firms will offer full system turnkey capabilities with in a supply model that makes sense for retailers and offers truly one “throat to choke”.

Many firms will become new digital signage suppliers, and supplier partnering will consolidate to improve turnkey system supply capability.

*Lyle Bunn is Strategy Architect at Alchemy, recognized as a premier provider of strategy and content for Digital Signage serving advertisers and network operators. He was the only individual named on North America’s Digital Signage Top Ten list in 2005. He has chaired or presented at every major digital signage event in the past several years and has authored over 50 articles and major whitepapers. He chaired the InfoComm07 Digital Signage program and is serving as a judge in both of the 2008 DIGI and the Fourth Screen awards for digital signage. LBunn@AlchemyInternational.com*

