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Digital Signage:

Entering Next Phase as
Users Seek Return on Investment

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The digital signage industry faces several challenges as the global economy sours. Will companies cut back on capital intensive projects, or will they see the benefit of using these solutions to reach more customers?

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Tim Tang, marketing director for HughesNet

Digital Signage services, believes the current economic climate is a double-edged sword for digital signage companies. "In a difficult economy, we have seen some digital signage projects delayed. Digital signage projects are capital intensive programs, even in a good economy," he says. "In today's economy, retailers are forced to do more with less. However, retailers still need to engage with their customers and still need to promote their products. Digital signage may provide an effective method to engage with their consumers. Nonetheless, there will be speed bumps for new initiatives in these types of economic circumstances."

The global recession also will create a shakeout of vendors in the space, says Chris Riegel, CEO, Stratacache, which provides multi-platform software and appliance-based technology. "We are seeing a massive wave of consolidation in the digital signage area. I believe you will lose 60 percent to 70 percent of the vendors in this space. The recession is having an impact and clearing out a lot of the companies that are not executing. That is clear."

Stuart Armstrong, president, Enqii North America, an end-to-end networked digital out-of-home solution provider, adds, "I would say that the digital out-of-home environment is an emerging market and is now moving to its adolescent stage. It remains highly fragmented, however with any emerging market, as it matures, there is going to be a culling out of companies within the space. The economic situation as it is, is going to be a catalyst, and we are likely to see many supplier companies in this space pull back or even worse, go out of business if they do not have the capital resources or market momentum to sustain themselves during this period," he says.

New Phase

Riegel believes digital signage offers strong solutions for companies examining what they spend more closely. "Customers are being much more cautious to make sure they have a [return on investment], but we are also seeing an acceleration of projects where end customers are very focused on enhancing their performance. They find digital signage is a much more cost-effective method than broadcast television. As traditional media and TV numbers shrink, signage is taking greater percentage of that market."

Janice Litvinoff, director, digital media systems, Cisco, agrees. "We are actually seeing digital signage becoming more important than ever in the current economy. Utilizing digital media for communication with both employees and customers, as well as deploying for revenue driving

models, is key. Retailers are increasingly needing to reach customers with targeted messaging and offers to drive sales, create awareness and increase customer intimacy. The public sector is continuing to invest, and there are a lot of opportunities in education with major deployments in schools and universities," she says.

Lyle Bunn, principal and strategy architect, Bunn Co., and a digital signage expert, believes the market has entered a new phase. "The proof-of-concept phase of digital signage is complete and application optimization stage and

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— Riegel, Stratacache

build-out stages are in progress. The business models for ad-based networks have been well developed, while staff- and patron-focused networks paid through internal communications budgets are growing rapidly. The current market split of 50-50 of both types of deployment is expected to generally continue, although sponsored content or lifestyle ads may increasingly be applied to offset the operating costs in the non-ad based business model."

This market shift will make digital signage an attractive option for a whole host of companies, and one of the key questions is how can satellite companies leverage their advantages. "Satellite offers operational economies to large scale digital signage networks, while multicast-



ing and single vendor connectivity sourcing provide further economies for multi-region networks. In deployments that include dynamic, customer-facing display with staff training and live promotional events, satellite is especially well-suited. As digital signage networks grow and aggregate, satellite will increasingly be examined as a next-stage option,” says Bunn.

“I think in the short term, it is only going to get (the digital signage industry) bigger while there is a wait for broadband spectrum that they have auctioned off,” says Greg Weaver, manager, digital signage networks, Microspace Communications Corp. “While cellular is an option for content delivery, it does have limitations from a bandwidth standpoint. Satellite is ideal for networks that require frequent updates of larger files and its inherent multicast capabilities are quite advantageous. The capacity for cellular is limited and connectivity in the United States, when you get away from a major metropolitan center, is an issue. In all the terrestrial scenarios, there is a per site, per month charge to get connectivity.”

The move to high-definition content also is having an impact on the digital signage market, says Weaver. “It is not just 50 megabyte files anymore. You are looking at 1 gigabyte files and larger and updating those every few days, because as the screens get bigger, you want to have high quality images on there. As previously mentioned, with satellite multicast, you can send it one time to multiple locations. Networks are paying one time to get the content to all these locations, as opposed to terrestrial connections having to pay \$80 per site per month. If you have 1,000 sites at \$80 a month, that’s \$80,000 a month. The costs can quickly escalate,” he says.

Tang also believes there is a “huge opportunity” for satellite. “Digital media solutions require a great deal of bandwidth. We have worked with several large enterprises who have attempted to distribute high-quality multimedia content through a terrestrial network. This is a difficult and challenging task. The idea of point-to-point distribution with large amounts of content simply does not scale, particularly with large networks. Multicast distribution via satellite is the ideal solution to distribute multimedia content to a large number of locations,” he says.

Tough Market for Satellite

Handling increased bandwidth demands is the key to satellite’s competitive advantage, says Gerard Bucas, CEO, of Scala, a digital signage software solutions provider. “The problem with digital signage is that it is very bandwidth intensive, which is good from the satellite provider point of view, as it means selling more bandwidth.

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In most large organizations, if you overlay digital signage over your terrestrial network, it could well overwhelm international networks. The bandwidth required can be huge. What people often do is use satellite. With multicast, it is very scalable compared to terrestrial alternatives. It is an independent delivery platform, which does not interfere with your day-to-day business point of sale networks and IT infrastructure that already exists.”

Even with the development of the digital signage market and satellite’s advantages, Prashant Butani, a satellite communications analyst at NSR, still thinks it will be a tough market for satellite players to crack. “The problem with most digital signage networks that could be potential customers for the satellite guys is that they start off very small and with very little cash. Though they may envision being nationwide networks, and some actually make it, they do not have the resources to invest into satellite infrastructure for region-wide connectivity right from the word go. And even when they do scale up, they end up being tied down to their earlier technology and give switching over to satellite a miss.”

Harris Communications in November announced a deal with Intelligent Media Ltd., a specialist in the deployment and operation of digital signage screen networks, for the

installation of the first large-scale Harris InfoCaster systems in Greece. Intelligent Media operates one of the largest digital signage networks in the health sector, including systems at Iaso, Mitera and Leto maternity hospitals, as well as Iaso General, Metropolitan and Hygeia general clinics and Iaso pediatric clinic in Greece. "The healthcare sector is a good example of an alternative market in which not only is a robust distribution solution crucial but also a solution able to provide broadcast-quality images while still being cost-efficient," says Richard Scott, vice president, EMEA operations, Harris Broadcast Communications.

However, not all parties see a huge opportunity for satellite players. "We are absolutely seeing a shift, and I would put this on a geographical basis," says Riegel. "In North America, South America and Africa, satellite is a well-known quantity. In other markets, we are starting to see a shift towards terrestrial. We have some pull away from the satellite market and more towards terrestrial as customers try to effectively use their terrestrial IP networks."

Litvinoff sees this as an advantage for Cisco, which has a solution that supports different distribution methods. "As long as it terminates to IP, satellite distribution as part of a wide-area network could be useful for very large and/or geographically dispersed deployments. But the advantage of IP-based, networked digital signage systems is that it can be deployed on a company's existing network infrastructure without needing to upgrade the infrastructure," she says.

Landscape Changing

The digital signage business is set to become very competitive, with a number of innovations likely to come to market over the next couple of years and new target markets opening up, says Kevin Lawrence, senior vice president, sales, for Heliuss, which was acquired by Hughes in January 2008. "We have made significant market penetration recently with the law enforcement community. Digital signage is being used in a non-traditional way to communicate important information to both officers and inmates. Information consisting of reminders from the

morning role call, inmate processing, safety reminders and more are available to view throughout the day," he says.

Weaver believes changes in the overall cost of solutions could be one of the most significant things to happen over the next year. "I think the changes in digital signage will be in the management software, player software and devices. Right now, a lot of those are still quite expensive. I went to In-Store marketing recently and saw a player in the sub-\$500 range, a full featured player at that. I think you will see more of that."

The business models around digital signage could be shifting, says Tang. "The digital signage market initially began with a heavy emphasis on advertising-funded digital signage deployments. In the second wave of deployments, there seemed to be a greater emphasis on privately funded digital signage projects. Currently, there seems to be a resurgence in the advertising-funded digital signage business model. The hit on the economy will mean both the ad-funded as well as the private-funded digital signage business models will be harder to justify. In the next 12 months, it will be interesting to see how both of these models evolve."

Due to the general economic uncertainty, Riegel believes 2009 may be a tough year but will start to improve in 2010. "I think you will be looking at a market that is in a very rapid growth phase. I think 2009 will be difficult for a number of companies on the edge. In 2010, I think you will see customers spend more money as we come out of recession as they try to put some space between them and the competition. I think 2010 will be an unbelievable year in terms of demand. You will be dealing with a new round of infrastructure investments from customers." ■



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