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Digital Signage Turf Wars

The digital signage market is booming, and so is the number of IT integrators taking advantage. Are AV pros losing out?

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By Tim Kridel

"Digital signage is hot, hot, hot!" proclaimed a recent headline. For AV pros, the news flash isn't the headline, but rather the publication: Channel Advisor, a magazine that Ingram Micro sends to 170,000-plus IT resellers.

IT integrators clearly are paying attention. At a recent Ingram Micro boot camp focused only on digital signage, ViewSonic fielded inquiries from more than 50 IT resellers. "Some had been in digital signage for a couple of years and had relationships with software companies and knew all about x86 architecture media players," says Gene Ornstead, product manager for digital signage at Walnut, Calif.-based ViewSonic. "And we had some wanting to know how to get into digital signage."

IT vendors such as Cisco Systems and Hewlett-Packard are accommodating that interest by adding or expanding their signage product lineups. Since entering the market three years ago, Cisco has notched 2,000 customers, and many of them have used Cisco technology for multiple signage projects. "We're growing three to five times faster than most analysts are predicting the market growing," says Thomas Wyatt, vice president and general manager of Cisco's Digital Media System unit. "Our number of repeat customers is well north of 30 percent."

Even chip makers are targeting signage. "If it wasn't a serious business for IT, then why does Intel have a huge digital signage division?" says Larry Schilz, director of sales in the professional display division at Mahwah, N.J.-based Sharp Imaging and Information Co. of America. All the activity raises a question many have started asking: Is pro AV losing the digital signage market to IT?

Hard to Tell

The answer is no—or least not yet, based on interviews with more than a dozen integrators and vendors from both the AV and IT worlds. Instead, most say, IT players are simply gravitating to a booming market, one that's held up relatively well during the recession compared with other IT and AV sectors. So if the signage market keeps mushrooming, there should be plenty of business for everyone for at least the next few years.

"We are seeing more IT integrators able to handle signage applications," says Keith Yanke, director of product marketing at Itasca, Ill.-based NEC Display Solutions. "The higher percentage is still pro AV." Others agree. "AV integrators clearly are getting the lion's share of the business," says Jennifer Davis, vice president of marketing at Planar Systems. "But the lines between AV and IT are blurring, not only in digital signage. We're seeing a trend in our AV resellers where they're being very purposeful about hiring and developing IT networking expertise."

These assessments fly in the face of commonly quoted statistics that say IT integrators do most digital signage installations. The fact is, it's hard to measure. In certain segments of the signage market, AV integrators say they haven't come across many IT vendors at all.

"We don't bump into Cisco too much," says Tom Johnson, president of Digital AV, a Fort Wayne, Ind.-based integrator. "They haven't been a direct challenge to [digital signage vendor] Scala."

Although it won't divulge what percentage of its signage resellers are AV vendors, Cisco says the AV channel is key to its success, especially when trying to reach decision-makers outside of the IT department. "The AV community is a huge part of this because they've got great relationships with marketing and line-of-business executives," Wyatt says. "AV partners are driving a lot of the new opportunities. We look at it as a combination play."

Who Signs Off?

It's worth looking at the competitive environment to understand where and why IT integrators are winning more signage contracts, even if it's not at the expense of AV pros. The most obvious reason is the well-worn trend of AV-IT convergence.

"There is certainly a trend where IT integrators and IT distributors are more heavily involved with digital signage installations," says Kevin Schroll, senior product marketing manager for large format displays in Samsung Electronics America's IT division. "This is being driven by the fact that professional displays are now connected to the network for content-management purposes, and IT departments are much more involved in the decision-making process for this equipment."

In medium and large enterprises, the initial call for digital signage proposals usually comes from one of two departments: in-house IT or marketing. In some cases, the other department is consulted later, such as marketing bringing in IT when it turns out that the signage has to piggyback on the company LAN. "It's either the marketing/communications person coming to us, or it's the IT person," says Vince Faville, marketing director for the Advanced Technologies Group at West Chester, Pa.-based Advanced AV. "In most scenarios, it's the IT person who ultimately signs off on the project."

In those cases, IT vendors and integrators can have the edge for several reasons. First, the IT staff already has a relationship with them, making signage an upsale opportunity. Buying signage from the vendor that already supplies the client's servers and switches also can trigger a discount.

Second, some IT vendors have multiple AV product lines, which—if tightly integrated—increase the chances that a client will stick with the incumbent if doing so means they can wring more out of an existing investment. For example, a Cisco telepresence room can double as a studio for creating signage content, while its Media Engine—perhaps initially deployed to feed streaming video to Web browsers and mobile phones—can support signage, too.

"The fact that Cisco integrates all those applications in one product set and [that they are] a feature set of the network is a great competitive advantage," says John Tisdale, vice president of strategic initiatives at York Telecom, an Eatontown, N.J.-based integrator that considers itself both an AV and IT integrator. "Otherwise I'm buying independent appliances from different manufacturers that I've got to string together to work."

Finally, IT increasingly gets consideration for digital signage projects because they're often connected to a LAN or WAN. In such cases, the IT staff at an enterprise might prefer to use incumbents when it believes a multivendor environment will create security headaches, such as firewall traversal.

"They're not focused on ViewSonic vs. Samsung vs. Cisco," says Dan Van Eps, president of Cornerstone Compute Solutions, a Denver-based IT integrator that has branched into signage. "They're more focused on: 'I've got an IT vendor. I'd sure rather have all of those solutions provided by that one vendor.' There's less finger-pointing and more consistency."

On the other hand, if the department that will be creating content for the signage system has final say on the network—or at least wields significant influence—then the decision sometimes depends on that staff's comfort level with the system's templates and other tools. Advanced AV, for example, had one client considering Cisco, but the company was split on the solution.

"The reason they like Cisco is because the IT department already has a Cisco back end: Cisco servers, Cisco everything," says Faville. "But the end user who wants to create all of the content is looking at Cisco and going, 'Wow, that's pretty complicated.' That's where I see the break."

Regardless of which department is heading up the project, the ultimate sale is often based on existing relationships. "If the IT department is controlling it, then they're most likely going to go to their IT contacts for help," says Schilz. "If it's the person handling all of the video for boardrooms and conference rooms, he might go to his AV liaison who did the AV for the boardrooms and lobby."

In other words, there often can be a disconnect between the ultimate end-user and the staff that might be tasked with signing off on and supporting the digital signage infrastructure. AV pros who know their end-users well can make in-roads by educating them on the features and benefits of one signage solution or another. That influence may win the business.

Content with the Market?

But if design and installation become hypercompetitive, AV integrators could expand into content creation, hosting, and management to differentiate themselves and create new, long-term revenue streams. Some integrators like content because it's more profitable. The recurring revenue stream is often much more attractive than the margin sale on a box.

"That's kind of a weak link in the whole digital signage solution sales approach," says ViewSonic's Ornstead. "When a VAR is trying to sell digital signage to a client, sooner or later, the subject is going to come up: 'Where do I get my content?'"

The answer—and the opportunity for AV integrators—varies by vertical. For example, plenty of vendors offer templates that let signage customers enter their text and images, and then push it out to their screens. That's a potential fit for, say, a university that wants to use signage for dining hall menus and emergency alerts.

"Our service allows the customer to log into a portal, update the message on there, or use us to create a custom template," says Blaine Brown, directory of technology at Indianapolis-based Sensory Technologies, an AV integrator whose signage offerings include content creation and management.

But if the signage will be used for different types of content, such as insurance enrollment reminders in the morning and the CEO's video presentation to employees in the afternoon, certain clients might not be comfortable handling that in-house. For them, outsourcing content creation and management might be attractive.

"It isn't always as intuitive as the customer thinks it should be," says Derek Paquin, director of business development at Sensory.

Large enterprises often have in-house departments creating content, such as print and broadcast ads, that could be repurposed for digital signage. Although they might seem the least likely candidates for outsourcing, some integrators say they typically welcome the opportunity to unload that work.

AV integrators face a similar question: Is it worth adding staff in order to offer content creation and management services? Or is it better to partner with companies that have that expertise? Some caution that to do it in-house, integrators must be prepared to deal with the fact that it's a completely different business, right down to the billing cycles.

"You can't give it lip service," says Jeff Collard, president of Omnivex, a Canadian vendor whose products include signage software. "You'd better be prepared to hire the appropriate people. Your receptionist can't be doing content management and creation."

Whatever the approach, some AV and IT integrators say they've been successful in offering content-related services. "We've had a media service division focused on that for about seven years," says York Telecom's Tisdale. "It's a growing part of the business. It allows us to turn digital signage from a product into a service."

Of course, content creation and management also end up opening a new door for even more competitors—and not just IT integrators looking to push deeper into the signage market. For example, some AV integrators wonder if content companies, signage network owners, and similar firms could expand into design and installation.

"As this market develops, the content providers might do more of what we do, which is create the networks and technology packages," says Andrew Sellers, a principal at Sensory. "I see a greater threat there than our technology competitors, which might include the IT space."

Some of his colleagues agree. "Whether it's outdoor signs or static signs, graphics companies that have their own creative departments could be the threat to do it all," Paquin says.

Want Signage with That?

IT integrators aren't the only newcomers to the digital signage market. For example, some electricians no longer are content just to run the cables. "I'm running into the guy who's pulling the wire," says Sharp's Schilz. "He's hanging the panel."

Even firms that specialize in point-of-sale (PoS) systems and copiers are looking to branch into the digital signage market.

"All those guys want to do digital signage," says Schilz, whose company has business units that sell PoS systems and copiers. "The PoS guys have been all over me: 'How do I get into digital signage?'" It's not just because they've heard that digital signage is a growth market with years of upside left. For some, it's a way to upsell customers, like with advertising signage at checkout counters. For others, it's not much of a stretch skill-wise from what they already know: using a LAN to connect copiers and cash registers—and now signage.

So when AV pros look over the shoulders, they'll see IT integrators looking behind them, too. "The PoS and copier guys are right behind the AV and IT integrators," Schilz says.

Still, to stay competitive AV integrators need to add IT expertise. These days it's not uncommon to find AV pros who are Cisco-certified.

"The IT world has definitely taken notice of the digital signage space," says David Wilkins, president and CEO at X2O Media, which makes digital signage solutions. "AV integrators and vendors will need to at least match, if not exceed, the IT skill set if they want to continue to thrive in the digital signage space."

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Vukunet: What's in It for AV Integrators?

Is Vukunet a game changer? That's what some in the industry are saying about NEC Display Solutions' new initiative, which plays matchmaker between ad buyers and digital signage networks. In January, NEC announced a key detail about Vukunet: Resellers can get a recurring royalty when their clients register their digital signage networks with Vukunet. For integrators, that means a potential recurring revenue opportunity.

According to NEC, interested dealers need to be a part of NEC's Partner Net site, take Vukunet training, and sign a reseller agreement (see www.necdisplay.com/partners for more details). The company estimates that advertising revenue on signage networks is 10 times that of the hardware, software, and installation.

"It could change the whole landscape of digital signage if they're successful," says Sam Taylor, executive vice president and chief operating officer of Almo Professional AV, an NEC distributor.

Vukunet consists of free, PC-based content-management software, as well as an online platform that links participating signage networks and serves as a central point for handling tasks such as ad placement and payment. Vukunet also handles proof-of-performance, an emerging category that many in the industry believe is key to providing the Arbitron- and Nielsen-style metrics that advertisers want to see before they increase spending on digital signage. By creating a one-stop shop for advertisers, NEC hopes Vukunet will address the problem of thousands of fragmented signage networks, which should mean more money flowing into the market. "Vukunet allows us to get all of these networks signed up and then have all of these networks and demographics for the ad agencies to determine what ads they want to play, where, and when," says Keith Yanke, director of product marketing at Itasca, Ill.-based NEC Display Solutions.

If Vukunet starts to get traction among advertisers and their agencies, it's likely to spark competitors. "The question is, who else is going to try to copy them?" asks Taylor. "There are big software companies out there that I don't think will sit by and say: 'Let's let them have that market to themselves.'"

Success in Signage

Although digital signage is a booming market, it's not one where just any integrator can expect cash to tumble in. Here's what vendors and integrators say is key to success:

■ Bone up on IT skills. If you don't have 'em, get 'em because most signage runs on IP networks. The signage needs to run on the client's corporate LAN, demonstrable IT skills are a must-have for convincing the CIO or IT manager that the signage won't create security holes or overload the network. IT skills also are helpful for competing with IT integrators, which are entering the signage market in droves.

■ Know your vertical. Sure, just about every vertical is deploying digital signage these days, but trying to cater to all of them can backfire. Instead, become an expert in one, or at most a few, because then you're better able to understand its unique needs and what drives return on investment. "The resellers and integrators that we work with that are successful are locked into pretty much into one, specific vertical," says Sam Taylor, executive vice president and COO of Almo Professional AV. Take health care, where a clinic may want screens in the waiting area simply for showing TV programming. An integrator who specializes in that vertical could suggest adding updates on wait times, healthy living tips, and pharmaceutical ads. "Somebody who's doing corporate communications isn't going to know that," Taylor says.

■ Show them the money. Specializing in one or a few verticals is one way for integrators to acquire real-world financial figures that can be used to show potential clients how signage can improve their bottom line, including ways they might not realize on their own. The medical clinic wrapping TV with pharmacy ads is one example, but there are plenty of others. "In a retail environment, they can show how another client played advertising to offset some of the cost of the installation and the uptick in sales they can expect over the course of a year," Taylor says. The real-world data also can be used to create calculators, such as on the integrator's website, that potential clients can use to assess the basic business case.

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