

*Prospectus*

# Narrowcasting: The Opportunity for Digital Signage and In-Store TV Networks

**Focused**

**Responsive**

**Credible**

**Visionary**



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**Responsive**

**Credible**

**Visionary**

- **Customer Requirements and Perceptions**
- **Vertical Industry Opportunities**
- **Market Size and Forecast**
- **Vendor Profiles**
- **Business Strategies**

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*Digital Signage and In-Store TV Networks: Networked or standalone display systems showing static images or full-motion videos in a public setting for promotional, customer service, training, or entertainment applications. Other related terms include digital signage, display networks, in-store TV, retail TV, captive audience networks, and electronic billboards.*

*Narrowcasting: Digital delivery of visual content through a network of displays that is centrally managed, monitored, and controlled. Narrowcasting systems enable users to deliver, manage, and change streams of content to tightly-defined demographic groups in a variety of formats.*

## Overview

Over the past five years, there have been dramatic advances in display technology, network infrastructure, components, and software for creating, managing, distributing, and displaying digital images and video content. Many developments indicate that the market for digital signage and in-store TV is poised for rapid growth, including:

- Numerous technology leaders continue to make major investments in all aspects of digital signage and in-store TV systems that are yielding significant improvements in size, quality, form factor, reliability, and costs.
- We have seen important advances in networking infrastructure, with many sites having access to affordable broadband communications through land line and wireless services.
- There are continuing improvements in content authoring and management systems, making it easier and more affordable to create effective visual and audio communications for a variety of applications.
- Many companies are continuing to push the use of technology to drive sales, improve productivity, and enhance the customer experience (e.g. kiosks, wireless Internet, electronic shopping carts, inventory management systems). Digital signage and in-store TV networks are another aspect of the store of the future.
- Larger networks and better-established rate structures are emerging, enabling brand managers and media buyers to more effectively plan for their use of this media.
- We are seeing the continued fragmentation of traditional media and choices for consumers in how, when, and where to “consume” content (e.g. DVRs, mobile handsets, video downloads). The dilution of traditional media is increasing the importance of POP-based promotional systems.
- There are a growing number of installations and success stories related to digital signage, increasing the awareness of and confidence in these systems.

However, narrowcasting is not a “one-size-fits-all” concept. There are significant opportunities for differentiation and revenue streams beyond the hardware, including integration, maintenance, content development, and operations. Key market segments include:

- Retail (including public areas of shopping malls)
- Hospitality (bars, restaurants, hotels, etc.)
- Services (healthcare, retail banks and brokerages, fitness centers, etc.)
- Transportation centers (airports, train stations, etc.)
- Trade shows
- Billboards
- Other public spaces (high-rise elevators, buses, and taxis, etc.)

Multiple business models are also still in use (fee, advertising, gain share, etc.) to determine who pays for what, and how the revenue streams and content control are managed and shared. In each installation, the combination of these site factors, objectives, and business models heavily determines the type of system, type and mix of content, and frequency and methods of communication and control.

Many retail executives, brand managers, and advertising professionals are aware of and intrigued by the potential of digital signage and in-store TV systems. They have become more knowledgeable about the technology, its capabilities, and the vendors. It is increasingly likely that one or more of their competitors have deployed a system or tested a pilot. Nonetheless, many of them are still unsure of the return on such an investment and are confused by the many vendors that are vying for their business.

Technology vendors participating in this market need objective, detailed information to help guide their business planning, educate the market, and drive industry activity. This study will equip technology vendors and service providers with critical information to support their product planning and marketing efforts. It will also enable them to attract new capital investments. It will provide retailers, other public space operators, brand managers, and advertising professionals with an in-depth understanding of the opportunities presented by this emerging medium, along with keys to a successful deployment and pitfalls that should be avoided.

## Project Objectives

InfoTrends will update and expand on its previous studies with new primary research. We will:

- Describe the structure of the digital signage and in-store TV network industry
- Review recent industry developments and trends
- Size and forecast the demand for digital signage and in-store TV networks
- Describe the opportunities for narrowcasting systems in key vertical industries
- Understand the perceptions, requirements, and plans for digital signage and in-store TV networks among retailers, brand managers, and advertisers
- Describe the business models and drivers being used in narrowcasting deployments
- Profile visual communications strategies and existing narrowcasting implementations
- Profile key industry players
- Provide strategy recommendations for digital signage and in-store TV network products and services

## Market Size and Forecast by Market Segment

InfoTrends will re-examine its previous five-year forecast, report any variances, and discuss the underlying causes of those variances. We will generate an updated five-year forecast for North America covering 2006 through 2010. The estimates and forecast will be segmented by:

- Displays (with subsegments by display technology and size)
- Systems integration
- Content control/management software
- Network operations/advertising

The forecast will be segmented into the following venues:

- Retail
- Hospitality
- Services
- Trade shows
- Transportation
- Other public spaces

## Market Research

InfoTrends will leverage its in-depth knowledge of the visual communications industry and previous work in digital signage and in-store TV networks with extensive market research. Senior InfoTrends consultants will conduct a series of in-depth interviews with key industry players, users, and prospects to gain insights on the development, enablers, and prospects for commercial display technology and services. These efforts will build upon the results of the original report.

## Desk Research

We will review and update the literature on the narrowcasting and networked digital signage industry as well as data on key advertising and business metrics. InfoTrends anticipates examining information from a variety of sources, including:

- Direct Marketing Association
- Outdoor Advertising Association of America
- Point-of-Purchase Advertising International
- National Association of Broadcasters
- National Association of Advertisers
- U.S. Department of Commerce
- Vendor and retailer Web sites
- Financial reports
- Business and trade journals
- InfoTrends' database

## In-Depth Interviews (30)

A key source of information for this report will be in-depth interviews with industry vendors, with whom InfoTrends' professional staff members have developed many contacts over the past five years. These vendors will be extensively

interviewed regarding industry developments, technical trends, business models, and specific success stories over the past two years. We will contact vendors in all of the industry segments, including:

- Network operators
- Software vendors
- Technology vendors (display, storage, media servers, etc.)
- Systems integrators
- Value-added distributors and resellers
- Bandwidth providers
- Content providers
- Advertising agencies and media buyers

### **Vendor Profiles (60 to 80)**

InfoTrends will develop company profiles on approximately 60 to 80 industry players, spread among network operators, software developers, display manufacturers, systems integrators, value-added distributors, and bandwidth providers. This popular feature will be updated and expanded, based on contacts with the vendors as well as information from secondary sources.

### **Site Visits (50)**

InfoTrends will visit approximately 50 business establishments to collect data on type of sign or display, general location, and purpose. These visits will provide important input for the analysis of industry trends and developments. We will also re-visit some sites to report on changes and trends. We will seek out sites that have digital signage or in-store TV systems to report on what type of technology is being used, what type of content is being run, and how they are perceived by employees and customers.

### **Structured Survey - Retailers, Brand Managers, and Advertising Professionals (300)**

InfoTrends will conduct structured 15 to 20-minute interviews with up to 300 retailers, brand managers, and advertising professionals. This structured survey will provide quantitative insights from the people who make decisions about digital signage, POP promotion, advertising strategies and spending.

Once again, we will build upon the survey conducted for the original report, in many instances repeating previous questions, to enable a comparison of results over time and explore new issues. Key topics will include:

- General awareness of digital signage and in-store TV networks
- Perceptions on the applicability and potential advantages of these systems
- Perceptions on the success or failure of any known deployments
- Current spending on promotional media (e.g. out-of-home, visual messaging, POP advertising, printed signage, TV, radio)
- Perceptions on the relative effectiveness of these different media
- Key metrics used in assessing effectiveness of systems or campaigns
- Key concerns with digital signage and in-store TV networks
- Views on the various business models offered
- Plans for deploying or using digital signage and in-store TV networks

## Structured Survey - Corporate IT Managers and Operations Executives (150)

InfoTrends will conduct a structured survey of similar length with up to 150 corporate IT managers and operations executives. The objective of this survey is to obtain quantitative insights from the people who are most knowledgeable about technology deployment and implementation issues. Specific topics to be covered include:

- Awareness and perceptions of digital signage or in-store TV networks
- Readiness of sites for digital signage or in-store TV networks (network infrastructure, power outlets, space, etc.)
- Annual budget for new IT initiatives
- Decision-making process and justification
- Competing initiatives for IT resources
- Use of in-house resources versus integration services
- Selection criteria for using outside service providers
- Obstacles to installing narrowcasting systems
- Experiences and level of satisfaction with deployment for companies that have undertaken such projects

## Project Deliverables

Subscribers will receive a variety of deliverables as part of this project, all designed to improve their product planning, business development, ability to attract capital, and marketing activities. The deliverables will include:

- An executive summary
- A written report
- A market size and forecast document (2005-2010) covering hardware, software, systems integration, and network operation/advertising revenues
- Detailed vendor profiles
- Data tabulations from the structured surveys (optional)
- A set of PowerPoint slides for internal communication of the report findings

## Who Should Subscribe?

The results of this report will be especially helpful to key industry players, including:

- Operators of narrowcasting networks
- Manufacturers of visual display systems and components
- Developers of software for network management, content creation, and management
- Bandwidth providers and communications equipment manufacturers
- Media companies
- Venture capitalists and investment bankers
- Brand managers and advertising agencies
- Corporate IT managers
- Retail executives

## **Project Schedule**

InfoTrends plans to initiate this project in October 2006 and publish the final report by January 2007. We will provide clients with interim data from the structured surveys as they are completed.

## **Project Fees**

For subscribers who execute our contract by October 30, 2006, the fee for this report is \$11,995. After this date, the fee will be \$13,995. A personal presentation is available for an additional \$2,000 plus direct travel expenses. The detailed data tabulations are available for \$995.