

# Grow Your Digital Signage Business, not Overhead: How a SaaS Solution Can Help

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## Software Is the Engine of Digital Signage Networks

After being an untried and largely unknown medium for a long time, digital signage has successfully claimed a prominent place in the array of new media offerings and is well on its way to becoming a standard part of media plans.

Digital billboards are driving the rapid expansion of Outdoor advertising, and shopper marketing has been boosted by implementations of digital signage networks in retail. Both Outdoor/Out-of-home advertising and shopper marketing are now rivaling the Internet – the fastest growing advertising medium.

While screens are the most visible component of digital signage, the critical part of any network is the software that powers it.

Digital signage is the first and the only medium that can effectively reach the elusive consumers while they are out of home, and especially while they are shopping. The ability to customize each message to audiences at any location and even at any area within a location is another unique value that it brings to marketers. However, these requirements, combined with the need to constantly expand, pose a great challenge to operators in terms of network management.

One of the obstacles to faster growth has been the lack of software platforms that could accommodate all the functionality without being cost-prohibitive to network owners.

There are several hundred digital signage software providers whose product description says they can meet all the requirements, which confuses the buyers and delays the RFP process. Only a few dozen applications are actually deployed to operate networks.

Since digital signage is still in the process of searching for standards and efficient business models, even the most evolved software products are not perfect yet, but there are a few providers that lead the way and have a sizable market penetration. Growing networks will help settle the dust and only big software players will remain. Who will they be and which distribution model will they use?

## Software Distribution Models

The current enterprise software applications for digital signage can be grouped as follows: applications that are built in-house, software-in-a-box (“shrink-wrapped”) and 3rd-party-hosted solutions.

In early deployments many network operators tended to be a 'one-stop shop', doing everything from IT to content creation, media distribution and ad sales. It did not take long for them to realize that being in the software or network maintenance business distracted their resources from the core objectives of making money on their media space. Some companies, however, had already made large investments in technology prior to defining a viable business model and the type of software that can fill their needs.

Today, digital signage operators are increasingly gravitating towards becoming 'lean and mean' media companies rather than being a technology provider. A lot of legacy in-house software products are now being replaced by 3rd party applications and many look to outsource most of their IT responsibilities, similar to the way TV broadcast networks do it.

With 'build your own' solutions largely on their way out, the competition among third-party products is now between 'shrink-wrapped' (aka 'on-premises') software and hosted solutions (aka ASP, On-Demand and SaaS).

## In the End, It's All About the Total Cost of Ownership

Here are a few numbers from research data showing the drawbacks of the traditional software models:

### **The Shortcomings of Legacy, On-Premise Apps**

#### **They have Deployment Challenges:**

- 31.1% of software projects cancelled before completed.
- 52.7% of projects cost nearly 190% of original estimates.
- 30-50% of software costs spent on integration.

#### **There are Operational Costs:**

- Maintenance & management costs >10x original license fee.
- Escalating hardware & staff support costs.
- Over provisioning and under-utilization of software licenses.

#### **Economic/Budgetary Pressures:**

- Need to reduce IT costs and increase business benefits.

*(Source: THINKstrategies, Inc. ©2008)*

All of the above-listed issues essentially boil down to the costs that are getting out of control. They are characteristic of all industries where On-Premise software is used, including digital signage network management.

If we extrapolate the current digital signage trends into the near future, we'll see that managing networks the old way is likely to get even more expensive:

- a) Networks will become bigger, more complex and more targeted.
- b) The complexity of managing the media space inventory, targeting and scheduling content, multi-versioning and a broad variety of campaign scenarios will require richer functionality, higher stability, reliability and security.

c) Competition will force network operations to be focusing more on making money on the media space and less on maintaining the network.

d) Network growth will put increasing pressure on in-house support and maintenance (for users of on-premise software).

e) Integration with 3rd parties will require more in-house resources (for users of on-premise software).

f) Network operations roles will be more diverse and more narrowly defined (role-specific tasks), the difference between media management and technical jobs will be more pronounced.

g) Fast pace of change in digital signage as a medium and development of standards and metrics will require frequent updates.

The concept of Software as a Service (SaaS) has been gaining ground lately as the model that best meets the cost-cutting and efficiency demands of expanding digital signage networks.

## What Is SaaS?

The term Software as a Service sprang into existence around 2004 to describe the latest generation of earlier models such as ASP or Application Service Provider, and On Demand software. According to Wikipedia, SaaS is: “a low-cost way for businesses to obtain the same benefits of commercially licensed, internally operated software without the associated complexity and high initial cost. ... SaaS applications are generally priced on a per-user basis, sometimes with a relatively small minimum number of users, and often with additional fees for extra bandwidth and storage. SaaS revenue streams to the vendor are therefore lower initially than traditional software license fees, but are also recurring, and therefore viewed as more predictable, much like maintenance fees for licensed software.”

The SaaS model first originated outside of the digital signage field and has proven beyond doubt that it is the most efficient way of asset management in areas like accounting, CRM, sales operations management and many others.

SaaS is devoid of the problems associated with ‘on-premises’ and even the earlier ‘hosted’ models such as ASP and On-Demand. According to Christopher W. Cabrera, a noted industry expert and CEO of Xactly Corporation: “SaaS offers customers an undisputable value and time to market advantage over traditional enterprise models, including no hardware, no maintenance fees, minimal implementation fees and, most importantly, no fees for software upgrades. This means new features are available to customers instantaneously, as soon as they are live, saving customers from high upgrade costs while ensuring they’ll never trail behind on older releases of software.

SaaS is also breathing new life into technologies that were too expensive for the masses in a traditional enterprise model. The fast-growing Sales Performance Management market is living proof.”

SaaS also appears to closely match the nature of digital signage business.

Inspired by a Wired magazine formula, Expired→Tired→Wired, we can draw an illustration of how evolution of software models applies to the changing business models in digital signage:

### Evolution in Digital Signage Projects

Expired	Tired	Desired
· Pilot Phase	· Testing Phase	· Deployment Phase
· All Content Channels Identical	· Multiple Channels, Same Content	· Dynamic Schedules, Day Parts, Localization
· Build Software Application	· On Premise Application	· SaaS

Let's see how a SaaS solution can resolve the typical challenges of digital signage networks:

- Networks don't have to invest into additional IT infrastructure; the software company has already done that for them.
- Networks do not need to manage a server, content distribution, or a database, which incur high hardware, personnel and bandwidth costs.
- Software as a Service approach significantly reduces deployment costs, maintenance overhead and time to market.
- Operators can focus on their core business and not worry about technical aspects of a network.
- Networks are always using the latest technology and business methods, as software upgrades are included in the contract at no extra charge.
- The SaaS model breaks up an upfront software licensing cost into low monthly fees.

According to analyst Jeff Kaplan, even IT departments today see Services as the Solution: "In the past, the IT department was the biggest barrier to managed services and SaaS adoption. Many IT professionals were afraid these on-demand solutions would eliminate their jobs. Now, a growing proportion of IT people see managed services and SaaS as a way to out-task mundane work or overcome complex application/technology deployment and maintenance responsibilities. As they learn to take advantage of these on-demand solutions, IT departments will finally be able to put their daily firefights aside and focus on addressing the strategic needs of their business users."

The other two of the previous concerns causing IT departments' resistance to SaaS: security and reliability are no longer valid either:

- *Web systems are reliable enough: Despite sporadic outages and slow-downs, most people are willing to use the public Internet, the Hypertext Transfer Protocol and the TCP/IP stack to deliver business functions to end users.*  
(Wikipedia)
- *Security is sufficiently well trusted and transparent: With the broad adoption of SSL organizations have a way of reaching their applications without the complexity and burden of end-user configurations or VPNs.*  
(Wikipedia)

All of the above is corroborative evidence that quality SaaS platforms are capable of satisfying operational requirements of rapidly evolving digital signage networks, while offering a significantly lower cost of ownership than other software models.