

THE NATURE OF THE OUTDOOR ADVERTISING BUSINESS

Charles F. Floyd

Several recent events in Salisbury, particularly the "Billboards Educate America" campaign, have raised questions regarding the nature of the outdoor advertising business. The purpose of this paper is to provide background to help the reader understand how the industry operates.

THE DIFFERENCE BETWEEN OFF-PREMISE AND ON-PREMISE SIGNS

Billboards, more properly referred to as off-premise outdoor advertising signs, must be distinguished from on-premise signs. The on-premise sign is an integral part of the business where it is located, and serves to index the business environment, that is, to inform potential customers where they can find various goods and services. The off-premise advertising sign, on the other hand, is designed to use the roadside environment to advertise a good or service found at some other location.

Types of Off-Premise Signs

Off-premise signs can be subdivided into several different categories. Some billboards provide directional information to motorists while others feature product advertising. Product advertising is of many types, with cigarette and alcoholic beverage manufacturers being the largest advertisers. For example, in 1988 tobacco advertising accounted for approximately 25 percent of outdoor advertising revenues, and liquor advertising accounted for another 5 percent.¹ In its November 28, 1988 edition, Advertising Age reported that eight of the top ten advertisers on billboard in 1988 were tobacco or alcoholic beverage manufacturers. The top five were all tobacco manufacturers; R. J. Reynolds, Philip Morris, Loew's Corporation, Batus Industries, and American Brands. The second five were the Seagram Company (alcoholic beverages), McDonalds, Anheuser-Busch (alcoholic beverages), Grand Metropolitan (alcoholic beverages), and Holiday Corporation.

A September 1988 survey of Naegele posters in Salisbury found that 53 percent of the boards advertised tobacco products, while another 8 percent advertised beer. (Billboard advertising for hard liquors is not permitted in North Carolina.) Only one billboard advertised a "small" local business, and there were no public service advertisements.

Directional signs usually are located in rural areas and on urban highways with large volumes of long-distance travelers, while billboards featuring product advertising are located primarily, but not exclusively in urban areas.

Off-premise signs can also be subdivided into standardized and nonstandardized industry. The latter consists primarily of advertiser-owned billboards giving information regarding tourist and other highway related services. These nonstandardized signs come in a great variety of sizes, but are generally smaller than those erected by the "standardized" industry.

In the Salisbury area most, but not all, billboards on I-85 are directional in nature. Many of these signs are "nonstandard" billboards owned by advertisers.

Posters And Bulletins

The firms comprising the standardized industry own outdoor advertising structures and lease space to advertisers. They employ two basic types of signs, the poster panel and the painted bulletin. The poster panel is designed for the posting of paper "bills" -- hence the name "billboard" that is now commonly applied to all off-premise outdoor advertising signs. The standardized poster panel is 300 square feet in size (12 by 25 feet), although the industry also uses a smaller poster panel of 72 square feet (6 by 12 feet), appropriately called a "junior" panel, or 8-sheet poster.² In Salisbury, the Naegele company has something over fifty posters, while Carolina Posters has a few of the smaller 8-sheet posters.



"Non-Standard" Billboard



"Standard Outdoor Advertising Industry Billboard

The second type of standardized industry sign is the painted bulletin usually measuring 14 feet by 48 feet (672 square feet), although various other sizes are also used, particularly 10 feet by 40 feet (400 square feet) and 10 feet by 36 feet (360 square feet). The industry also offers a "Super Bulletin" of 1,200 square feet (20 feet by 60 feet) in some large markets, and a few bulletins range in size to 2,500 square feet, or even larger.³

Most bulletins are painted, but some advertisers, and particularly cigarette companies, now furnish printed faces to the outdoor advertising company. Several companies, but particularly Naegele, 3M, and Whiteco, have painted bulletins in Salisbury.

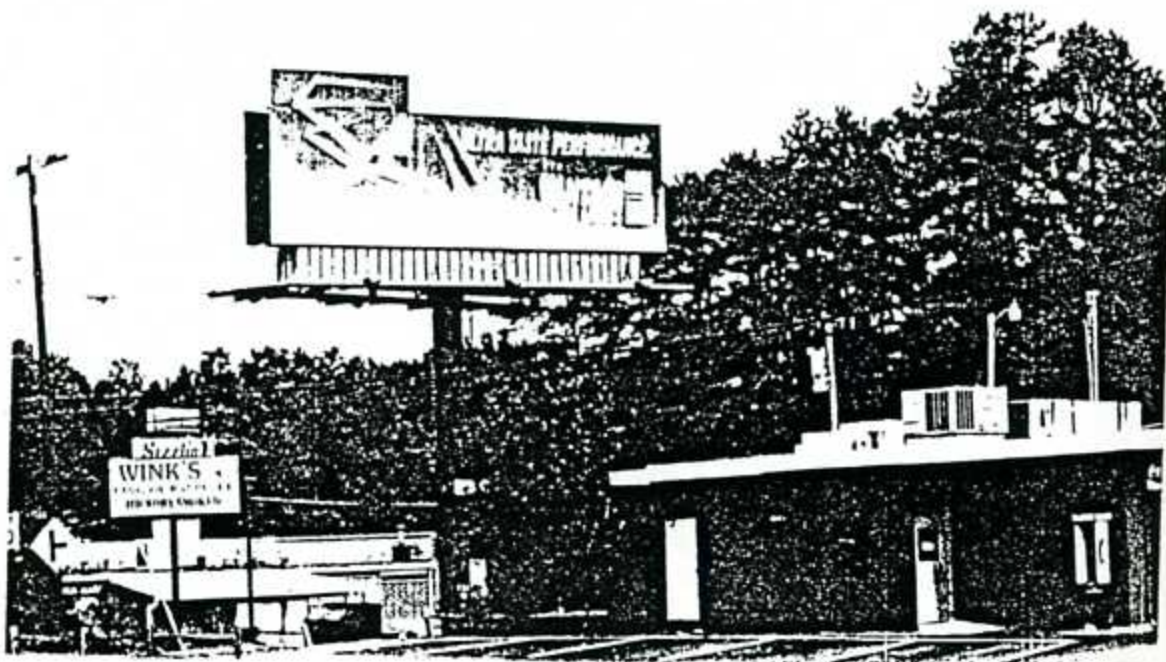
The Concept Of A "Showing"

The advertiser usually furnishes the paper posters for billboards, and the outdoor advertising company "posts" the bill on their signboards for a fee. Poster panels are normally sold by the month in packages of what the industry refers to as "gross rating points." Thus, a 100-G.R.P. package (a #100 showing) supposedly will provide enough panels to deliver in one day the opportunity for the advertiser's message to be seen by a number of viewers equal to 100 percent of the population of the market area.⁴ A 50-G.R.P. or #50 showing supposedly will be seen by half of the population; a 25-G.R.P. showing by 25 percent of the population. For example, in 1989 a #100 showing in the Chicago metropolitan market was defined as 44 non-illuminated and 284 illuminated panels; a #50 showing consisted of 22 non-illuminated and 142 illuminated panels.⁵ The monthly cost of the #100 showing was \$170,906, or approximately \$521 per billboard.

According to the Guide to Outdoor Advertising, Naegele offers a #100 poster showing in Salisbury for \$4,355 per month, or \$335 per billboard. This includes 7 non-illuminated and 6 illuminated posters. A #50 showing, costing \$2,345 per month, consists of 4 non-illuminated and 3 illuminated signs. A #25 showing, costing \$1,340, consists of 2 non-illuminated and 2 illuminated signs.⁶



"Standard" Outdoor Advertising Industry Poster Panel



"Standard Outdoor Advertising Industry Painted Bulletin

Painted bulletins are usually sold for a longer period of time, commonly a year. Sometimes a firm leases a particular sign, although many are sold in packages similar to poster showings. Often the painted faces are "rotated" to different locations periodically to reach various sub-markets. For example, in 1989 a large outdoor advertising firm offered 672 square foot billboards in Jacksonville, Florida for \$2,060 a month on a year's lease.⁷ The faces were "rotated" (moved) every 60 days to different locations within the market area.

The cost to the advertiser of these bulletins varies with supply and demand conditions in the particular locale. For example, the billboard that leased for \$2,060 in Jacksonville would cost \$5,500 per month in New York City, or \$950 in Augusta, Georgia.⁸

The tobacco industry often leases specific painted billboards, and pays a premium of approximately 40 percent over the normal cost. The east face of the painted bulletin on East Innes Street is an example.

Two points regarding billboards, and particularly posters, are quite important. First, in the case of posters the outdoor advertising company does not sell a specific site, but rather a "showing" consisting of locations throughout a market area. Thus, the income earned by selling this advertising space is not specific to a particular site. Second, "exposure opportunities" are based on the number of vehicles passing sign locations, that is, outdoor advertising companies depend solely on the traffic that is produced by the public's investment in the roads for their "circulation."

This dependence on the public's investment in the roadways is acknowledged by the outdoor advertising industry. For example, an official of the Outdoor Advertising Association of America testified: "The Outdoor Advertising Association members do not sell signs; they sell circulation."⁹

In their publication, Planning for Out-of-Home Media, the Traffic Audit Bureau defines circulation as follows:¹⁰

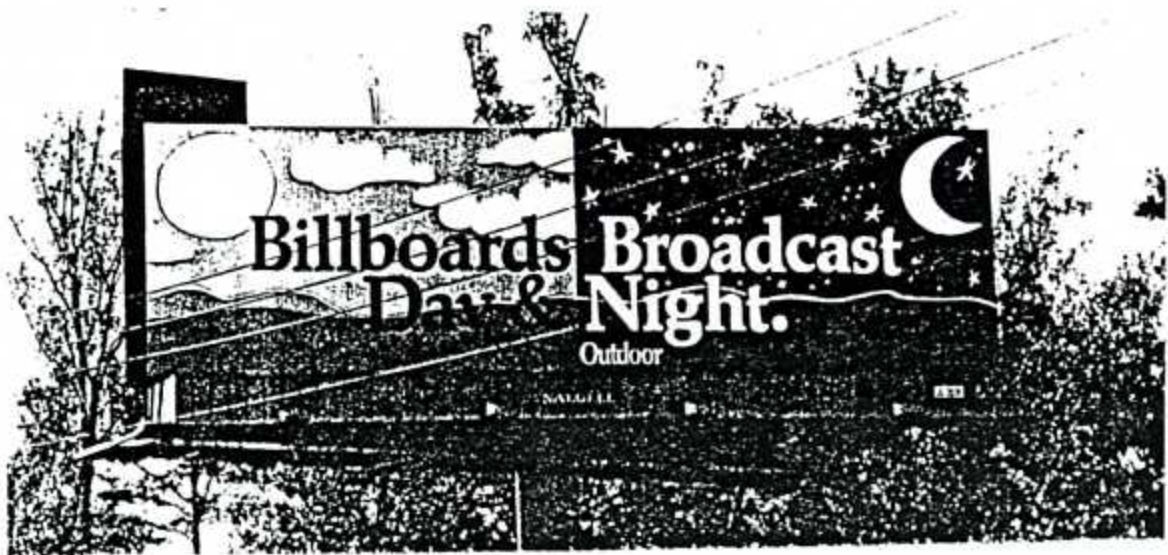
Circulation (potential viewers) is the foundation for determining the advertising value of the Out-of-Home media. Outdoor circulation is based on traffic value. Traffic volume is made up of the three modes of transportation: automotive, pedestrian and mass transit.

Traffic volume is obtained by counting the number of pedestrians and automobiles passing any advertising structure during a specified time period and the number of persons riding in mass transit vehicles. Automobiles counted are converted to persons by the TAB occupancy factor of 1.75 persons per car. For the most part, Outdoor circulation reflects people in vehicles.

PUBLIC SERVICE BILLBOARDS

If a newspaper or magazine has a slow period when advertising sales are relatively low, it simply prints fewer pages. It doesn't print blank pages. The outdoor advertising industry can't work that way. It must build boards to satisfy or the peak demand, or nearly so. At other times they fill the space with "public service" or self-promotional advertising. This is similar to the broadcast media, which airs the same type of advertisements to fill unsold time.

(A few years ago Naegele was convicted of mail fraud in North Carolina for selling space they didn't have to national advertisers when demand exceeded their existing supply of boards. See attached article.)



Self Promotional Billboard

In addition to filling blank billboards, "public service" advertisements are used by the outdoor advertising industry to curry favor with public officials or charitable organizations. For example, the attached memorandum outlines Naegele's "Mayor's Public Service Program." The purpose of this program IS NOT to support worthy causes in the community, but to buy favor with public officials. The memo states: "Our Company has a unique opportunity to build a closer relationship with city government. . . . The Mayor (being a politician) will recognize the value of being able to get credit for favors to various civic-minded persons." Signs of the Times, an industry publication, discussed the reasons for giving away this type of advertising space by saying, "It would be difficult for the mayor (or other politician) to sponsor or support anti-billboard legislation or ordinances if he/she had been actively using outdoor advertising for their own projects." (Article is attached.)

The outdoor advertising industry's success in this effort is quite extensive. For example, the attached articles from Signs of the Times show Liddy Dole posing in front of anti-drunk driving billboards with industry officials when she was Secretary of Transportation. Another pictures Barbara Bush unveiling a national campaign to promote literacy. Just after the Reagan Administration endorsed reform of the Highway Beautification Act in 1986, the industry offered free billboards to Nancy Reagan for her "Just Say No to Drug" campaign.

Charitable organizations that receive free billboard space are called on to oppose billboard controls. For example, when the Richmond, Virginia City Council was considering a proposed ordinance to cap new billboards in 1988, a billboard industry executive admitted at the council hearing that the industry's timing in donating free billboard space in Richmond to NAACP was "absolutely" tied to the vote. When the Salisbury City Council was considering amendments to the sign ordinance, pressure was

directed against a councilman by the North Carolina NAACP in favor of the billboard interests. The North Carolina NAACP has also received free billboard advertising.

At the national level, many Black leaders have become concerned about the heavy incidence of tobacco and liquor billboards in their neighborhoods, and there have been increasing protests against this practice. In response, the billboard industry has launched a "\$5 million" Addiction is Slavery campaign in inter-city neighborhoods. Benjamin Hooks, Executive Director of the NAACP, unveiled the first billboard. Mr. Hooks also wrote an article, quoted in the attached article from Signs of the Times, in which he attacked critics of the outdoor advertising industry.

One must conclude that "public service" billboards are:

1. A way for the industry to fill up otherwise blank boards;
2. Used by the billboard industry to buy favor with politicians and charitable groups.

FOOTNOTES

¹ Paul Edwards, "Less Smoke, But More Fire," Marketing & Media Decisions, August 1989, pp. 92-95.

² Ken Sammon, Planning for Out-of-Home Media, Revised Edition, New York: The Traffic Audit Bureau, Inc., 1987.

³ Ibid.

⁴ Ibid.

⁵ Leading National Advertisers, Buyers Guide to Outdoor Advertising, Outdoor Advertising Association of America, September 1989.

⁶ Ibid.

⁷ Ibid.

⁸ Ibid.

⁹ From testimony of George McInturff given before a public hearing to consider a challenge to the constitutionality of the State College Borough, Pennsylvania, Sign Ordinance 888 (March 13, 1978).

¹⁰ Sammon, Op. Cit.