

**A RESOLUTION RECEIVING A PRESENTATION ON PROPOSED BUS WRAP  
ADVERTISING FOR THE CHAPEL HILL TRANSIT SYSTEM  
Draft Resolution No. 136/2010-11**

WHEREAS, the Towns of Carrboro and Chapel Hill and the University of North Carolina have worked together to provide public transit service to the local community for over thirty years;  
and

NOW, THEREFORE BE IT RESOLVED by the Carrboro Board of Aldermen that the Board receives the presentation on proposed bus wrap advertising for the Chapel Hill Transit system.

This is the 7<sup>th</sup> day of June in the year 2011.

Prepared by: Steve Spade

---

The purpose of this discussion item is to present a discussion of transit advertising and options to be considered by the Partner's.

### **Background**

Exterior transit advertising is a standard revenue source for transit agencies. As part of the budget development process, transit staff has been encouraged to suggest ideas for new revenues to support the operations of the transit system. Understanding the changing economic climate and the responsibility of the public sector to maximize revenues other than tax sources, staff believes it is appropriate to consider the concept of transit advertising.

### **Discussion**

Exterior transit advertising is a form of media advertising that has been utilized to generate revenues to support transit operations since the 1800's. The concept utilizes exterior placards, vinyl applications or bus wraps to display ads on buses. More recently transit advertising has expanded to bus shelter advertising and electronic advertising inside buses. Attachment 1 is a brief description of the standard types of advertising signs that are used in the industry.

Transit advertising is used by many North Carolina transit systems including Raleigh, Durham, Fayetteville, Asheville and Winston-Salem. Charlotte currently advertises on its rail vehicles and has an RFP out for advertising for its buses.

### **Advantages of Exterior Transit Advertising**

Exterior transit advertising provides an obvious advantage to the transit system as a source of revenue. Transit advertising also has additional advantages. Transit advertising:

1. Provides an alternative to reliance on tax support.
2. Adds to the diversity of revenue types
3. Is less expensive than other forms of advertising and therefore more affordable to small businesses.
4. Can be used to support local cultural activities.

### **In House vs. Contract**

There are two ways to manage a transit advertising program: using in house staff or by contracting with a transit advertising firm.

**In House option.** If we were to pursue an in house transit advertising program it would be necessary to hire a staff person to sell and to manage the transit advertising process. Chapel Hill

staff would consist of a part time or full time salesperson depending on the size of the fleet inventory and part time staff to prepare, mount and take down signs.

Maintaining the transit advertising in house provides certain advantages:

1. Revenues are generally higher because you don't have to share them
2. You have full time staff to manage the process and the clients
3. Full time staff can bring in higher quality advertising

The disadvantages include:

1. There is no guaranteed revenue
2. New staff have to develop a client base and oftentimes start up can be slower

Contracting option. If we decided to contract the advertising sales we would issue a Request for Proposals and select a sales firm to manage the entire advertising program. The firm would supply sales and support staff and be responsible for all aspects of marketing, sales, operation billing and collections. The transit system is in essence leasing the exterior advertising space to a private firm. Chapel Hill Transit would receive a share of the revenues in exchange for the rights to sell advertising on the buses. These contracts usually include sharing a percentage of the net advertising sales with a guaranteed minimum dollar amount for the transit system.

Contracting advantages include:

1. Guaranteed source of revenue
2. It is a turnkey, no muss, no fuss process for the transit system

The disadvantages include:

1. Revenues generated are substantially less than the potential from in house
2. There is oftentimes not full time staff available to deal with problems
3. The quality of advertising is lower than if you have in house staff

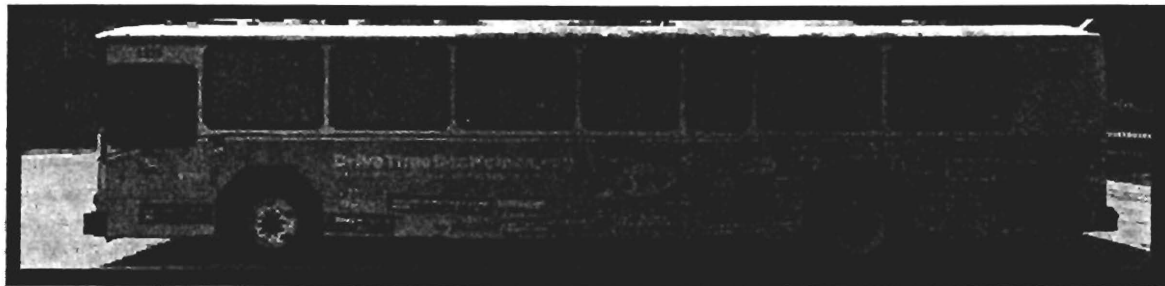
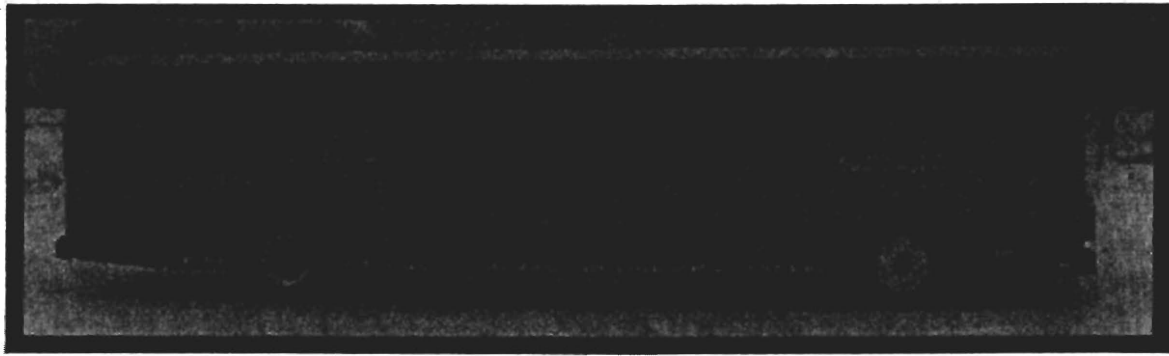
### Advertising Options to Consider

Originally staff had presented the recommendation that we introduce transit advertising on a limited basis by selling up to 15 wrapped buses. When presented with this general concept the Partner's asked that all options be explored and presented for consideration. The following is a general discussion of the options that Chapel Hill Transit has for transit advertising including sign types, inventory options, estimated revenues and expenses.

#### Sign sizes

There are numerous types and sizes of signage options to consider. For purposes of this discussion we have assumed that the Chapel Hill Transit advertising program would employ four types of signs:

1. King size signs
2. Queen size signs
3. Tail signs
4. Bus wraps



### Advertising Rates

The table below shows the advertising rates for other transit systems in North Carolina. The rates shown are the cost for a 6 month contract. Advertising rates are typically set for 3, 6 and 12 month contracts.

SAMPLE BUS ADVERTISING RATES/MONTHLY COST PER BUS*					
CITY	WRAP	KING	QUEEN	TAIL	SHELTERS
Asheville	\$1,880	\$423	\$376	\$376	
Charlotte	\$2,900	\$264	\$228		
DATA	\$1,750	\$200	\$190	N/A	
Fayetteville		\$175	\$160	\$150	
Raleigh	\$1,500	\$350	\$325	\$450	
Winston-Salem	\$1,775*	\$333	\$283	\$283	
Chapel Hill	\$1,500	\$200	\$180	\$170	\$150 exterior \$110 interior
Des Moines	\$1,177	\$154	\$132	\$110	

\*6 month term

For the purposes of this discussion, staff has assumed the Chapel Hill ad rates shown in the shaded section as part of the advertising rate chart. These rates, while possibly appropriate, would need to be confirmed through a market analysis. Advertising rates for Des Moines, Iowa have been included because it is a fleet of very similar size to Chapel Hill.

The chart below shows the fleet size and inventory of transit advertising signs.

Transit Fleet Sign Inventory – 98 Buses			
Sign	Location	Size	Quantity
King size sign	Street side	30 x 144	98
Queen size sign	Curb side	30 x 88	113
Tail sign	Rear	36 x 44	98
Total Signs			309

Below are a series of revenue calculations assuming a variety of combinations of advertising options including bus wraps. With a fleet of 98 coaches including articulated, we have a total inventory of 309 exterior signs. For the purposes of this discussion, we have assumed a series of options to calculate potential revenues.

Option 1 - transit advertising signs on the entire fleet

Option 2 - 10 wrapped buses and signs on the remainder of the fleet

Option 3 - the sale of 15 wrapped buses and signs on the remainder of the fleet

**Option 4 – 15 wrapped buses only**

For the purposes of these illustrations, the gross revenues are calculated based on the fleet inventory size and assuming a 30% vacancy rate for advertising signs.

**Option 1 - exterior sign advertising on all buses...no bus wraps**

	Gross Revenue
Kings \$98	\$235,200
Queens \$113	\$244,080
Tails \$98	<u>\$199,920</u>
	\$679,200
Gross revenue assuming 70% occupancy	\$475,400

**Option 2 - Exterior sign advertising and 10 wrapped buses**

Kings \$88	\$211,200
Queens \$103	\$222,480
Tails \$88	<u>\$179,520</u>
	\$613,200
	\$429,240 (70%)
10 at 12 months \$18,000 per year	<u>\$180,000</u>
Gross revenue assuming signs at 70% occupancy	\$609,240

**Option 3 - Exterior sign advertising and 15 wrapped buses**

Kings \$83	\$199,200
Queens \$98	\$211,680
Tails \$83	<u>\$169,320</u>
	\$580,200
	\$406,140 (70%)
15 at 12 months \$18,000	<u>\$270,000</u>
Gross revenue assuming signs at 70% occupancy	\$676,140

**Option 4 – 15 wrapped buses only**

\$18,000 annual contract cost x 15 =	\$270,000
--------------------------------------	-----------

**Potential Shelter Revenues**

50 shelters	
Exterior \$150	\$ 90,000
Interior \$110	<u>\$ 66,000</u>
	\$156,000
Gross revenue assuming 60% occupancy	\$93,600

As can be seen, the gross revenues would range from \$475,000 to \$675,000 a year assuming all wrapped buses are sold and a 30% vacancy rate on signs.

It should be pointed out that while this is potential for the introduction of transit advertising in the early years, it would take some time to grow into these revenues.

**Staff Expenses**

Assuming that transit advertising is done in house, we would incur expenses for the management, operation and promotion of transit advertising. The budget below identifies the cost of staff and support services for transit advertising.

**Estimated Transit Advertising Budget****1. Part Time - Bus wraps only**

Staff Wages	
Base \$25 per hour at 20 hr. /wk	\$25,000
Commission	<u>\$25,000</u>
	\$50,000
Marketing	
Website	\$10,000
Printed Materials	
Business Set Up	
Estimates of Audience Reach Study	\$ 5,000
Advertising setup/support	<u>\$ 5,000</u>
	\$70,000
Estimated Annual Expenses	\$70,000

## 2. Full Time Staffing – Exterior sign and bus wraps

Advertising Manager	
Base Salary	\$40,000
Benefits	\$20,500
Commission	<u>\$30,000</u>
	\$90,500
Support Staff	
\$14/hr at 30/wk	\$21,800
Benefits	<u>\$ 2,000</u>
Total Salaries	\$114,300
Marketing	\$10,000
Website	
Printed Materials	
Business Set Up	
Estimates of Audience Reach Study	\$ 5,000
Advertising set up/support	<u>\$ 7,500</u>
Estimated Annual Expenses	\$136,800

The level of staff support would vary based on the option selected. For instance, if we only expect to sell 15 wrapped buses and don't do bus board advertising, it could be possible to utilize a part time employee to sell transit advertising. Whereas, if the entire fleet were sold it would be necessary to have full time staff. Also, if there is bus board advertising it would be necessary to employ part time staff to install and maintain the signs.

Marketing and promotion are key components of transit advertising. It would be necessary to produce high quality printed materials as well as have an active website. In addition, as transit advertising is introduced an aggressive marketing and promotion campaign would be necessary to make potential advertisers aware of the opportunities in Chapel Hill.

**This analysis indicates that annual net revenues could range from \$200,000 (Option 4) to \$530,340 (Options 3). This assumes that the program is fully operational. If the concept of transit advertising is approved, projections for FY 2011/12 would be based on projected start up dates.**

The next steps if the Partner's concur would include:

1. Seek formal approval from funding bodies.
2. Hire Transit advertising staff
3. Develop transit advertising policies and conditions. This would identify types of advertising that are approved and a mechanism to review and modify.



4. Engage a consulting marketing firm to help establish the appropriate advertising rates and to measure the reaching frequency of transit advertising to be used by a sales person.
5. Develop marketing materials both electronic and hard copy

### **RECOMMENDATION**

That the Partners endorse this analysis and direct the Transit Director to seek approval of necessary bodies to implement a transit advertising program as defined in option 3 in FY 2011/12.