

Practical Measures to Increase Transit Industry Advertising Revenues

Executive Summary of TCRP Report 133 • January 2009

Transit advertising is currently less than one half of one percent of U.S. advertising spending. As a very small source of operating revenue for public transit agencies (usually well under 5%), transit advertising has not received much focused attention in the past. However, with the current shifting of media dollars out of traditional media, like television, and into the so-called non-traditional media, like online and out-of-home media, transit agencies are now shrewdly asking whether their advertising assets could be making greater contributions to operating revenues.

Currently, however, transit advertising revenue growth is lacking upward momentum. After exceeding the \$1 billion threshold in 2003 and 2004, thanks to the long tails of lucrative contracts signed during the Internet Boom of the late 1990s, transit advertising revenue fell to roughly \$800 million, and has remained there for three years running. During the same period of 2005 through 2007, all out-of-home advertising grew 8% on a compounded annual basis.

To what can this lack of performance be attributed? Is the image of transit advertising tarnished? Are the unique benefits of transit advertising unclear? Is the product offering not compelling? Are sales efforts falling short?

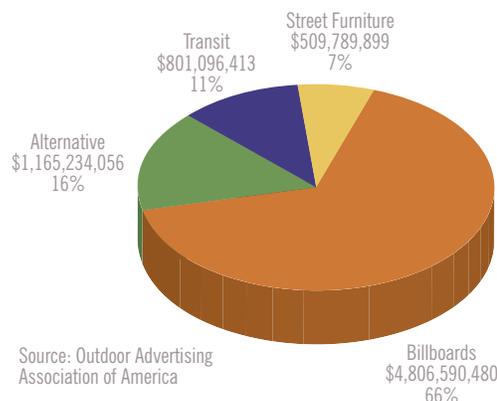
The purpose of this study was to (1) Understand advertising decision makers' perceptions of transit advertising and (2) Develop strategies for improving these perceptions and increasing transit advertising revenues. To this end, a quantitative study of media planners was conducted as well as interviews with advertisers, sales contractors, and marketing representatives of transit agencies. What follows is a top line summary of the findings, conclusions and recommendations.



Transit Media Sales, 1997-2007



2007 Out-of-Home Spending = \$7.2B
(3% of 2007 US Advertising Spending)



Source: Outdoor Advertising Association of America

Transit is well positioned to grow, yet lacks credibility, relevance and distinctiveness in today's advertising market place.

Market conditions suggest that transit advertising is well positioned to grow. The outlook from organizations that track media trends is that the shifting of dollars out of traditional media and into non-traditional formats will continue. In particular, out-of-home media, the category that includes transit advertising, will remain one of the fastest growing sectors of advertising spending. This forecast is compatible with the belief that the benefits offered by transit advertising align well with the current needs of advertisers, including breaking through the clutter of advertising and being "up close and personal" with individual consumers.

However, as a medium in competition with billboards, newspapers, place-based advertising, the Internet, and other new media still in development, transit advertising still has quite far to go to be in full competitive form. The quantitative study of over 150 media planners indicated that the most significant obstacles to driving growth in transit media sales are the following:

1. Transit advertising's **positioning** – the benefits its target audience perceives it to offer – is neither highly motivating nor differentiated from billboards;
2. Transit advertising has serious **image and product deficiencies**;
3. The level of **product innovation** is insufficient to generate interest and enthusiasm among media planners and advertisers;
4. Aside from sales activities, there is no **promotion** of the product to its target audiences;
5. Transit agencies **not in top 20** media markets face greater obstacles to growth than those in the top 20;
6. Transit advertising **sales materials** are not as effective as they could be at "making the case";
7. The overall level of satisfaction with transit media **sales reps** is low.

"Transit advertising has serious image and product deficiencies."

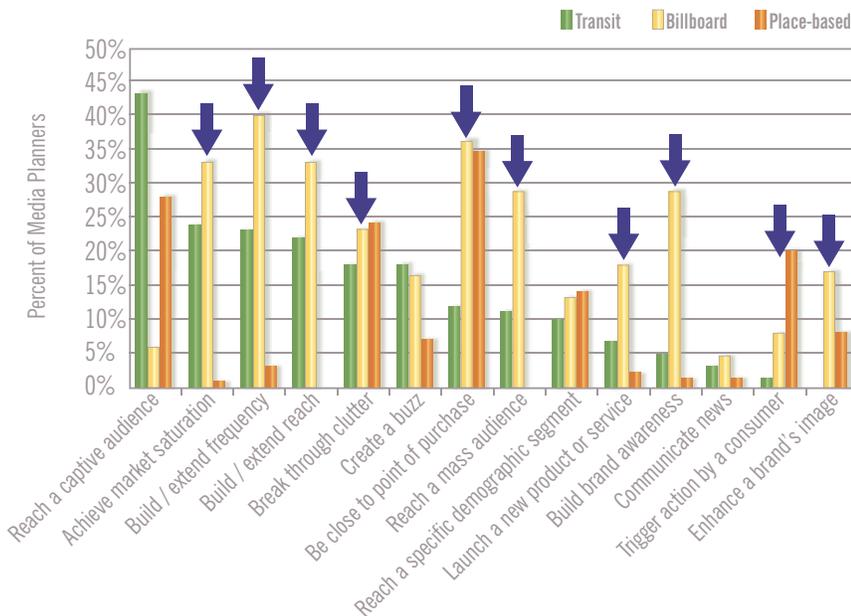
Online Survey of Media Planners: Research Approach

- Sample designed to include media planners who work with all types of media ("media generalists") and media planners who specialize in out-of-home media.
- Sample also designed to include media planners who work primarily with national clients and media planners who work primarily with local and regional clients.
- Sample also designed to be nationally representative and to include a balance of major media agencies (annual billings > \$50 million) and smaller agencies.
- Respondents needed to be director-level and above, and employed by advertising agencies, general media agencies and out-of-home media agencies. Media partners employed by advertisers were explicitly excluded.
- Online survey 20-30 minutes in length. \$100 incentive to participate.

Key Finding: Transit advertising's greatest strength is reaching captive audiences; however, it is perceived as weaker than billboards in meeting most other objectives.

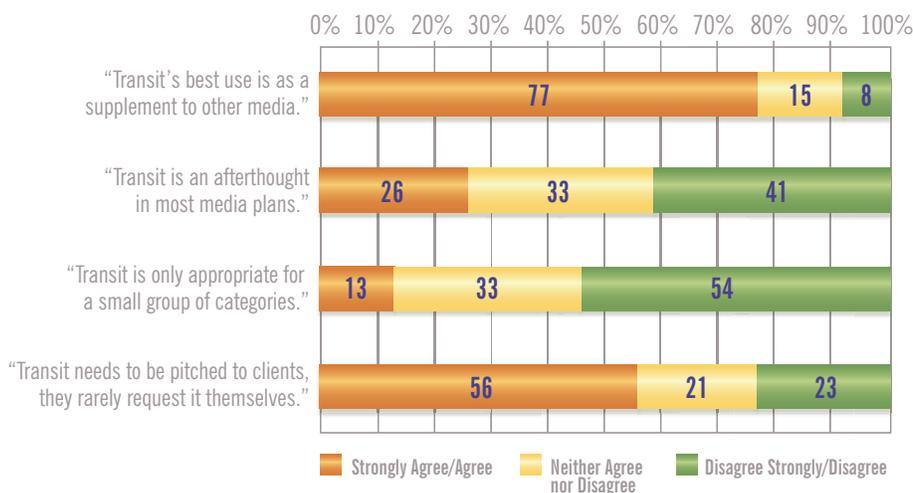
- Transit advertising's greatest perceived strength is in reaching captive audiences, a second- or third-tier media objective.
- With the exception of reaching captive audiences, billboards are perceived to fulfill every function that transit media offers, only better.

% of "Best At" Votes Awarded to Transit, Billboard and Place-based Advertising



Key Finding: Transit is seen as a supplemental medium that needs to be pitched to media planners and advertisers, because they don't request it on their own.

Attitudes and Habits Concerning Transit Media



"With the exception of reaching captive audiences, billboards are perceived to fulfill every function that transit media offers, only better."



Key Finding: Transit advertising has significant image deficiencies.

- Perceptions that transit media are **effective, reliable** and **efficient** are moderate to weak.
- Perceptions that transit media are **expensive** are prevalent.
- Perceptions that transit media are **not clean** are prevalent.
- Perceptions that transit media are **innovative** are *not* prevalent.
- Perceptions that transit is a **downscale** medium are *not* prevalent.

Transit Advertising Image Perceptions



Key Finding: Transit media's strengths are not aligned with what is most important to media planners.

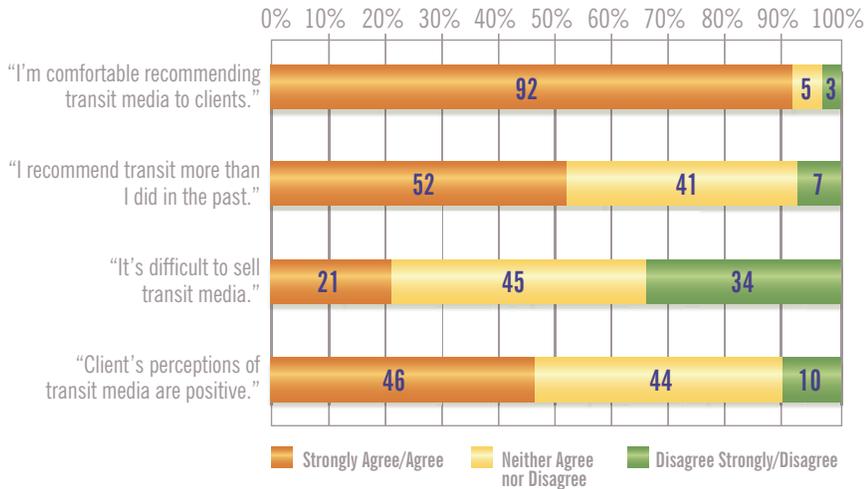
- Less than 50% of respondents perceive transit advertising to deliver reliably, target well or offer good value.
- Less than 25% say transit offers comprehensive demographic data or has a credible audience measurement system.

Importance	% of respondents who said the attribute "describes transit media completely or very well"			
	>75%	50%–74%	25%–49%	<25%
"MUST HAVE" Attributes			Delivers exactly what was bought (47%) Can target specific areas or demographic groups (45%) Good value for \$ (37%)	Offers comprehensive demographic data (20%) Has a credible audience measurement system (14%)
"SHOULD HAVE" Attributes		Easy to learn and stay on top of (61%) Knowledgeable sales reps (54%)	Simple to execute (45%) Easy to execute a multi-city buy (41%) Offers flexible flighting (40%) Offers innovative products (33%) Can get my creative team excited (33%)	Reasonable production costs (21%) Can deliver ROI metrics (16%)
"NICE TO HAVE" Attributes	Can't be "TiVo'd" (86%)	Offers 24-hr exposure (58%)	Has standardized ad sizes (39%)	

Key Finding: Over half of media planners are skeptical that their clients are receptive to transit advertising.

- Media planners claim overwhelmingly to be comfortable recommending transit media.
- However, more than half of media planners are *not able to agree* that advertisers' perceptions of transit media are positive.

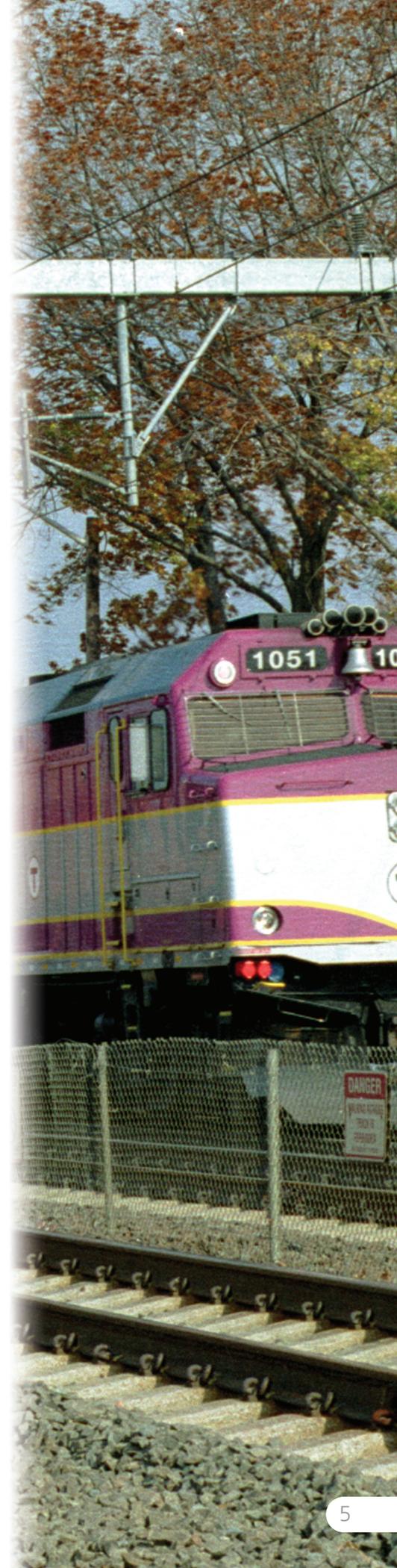
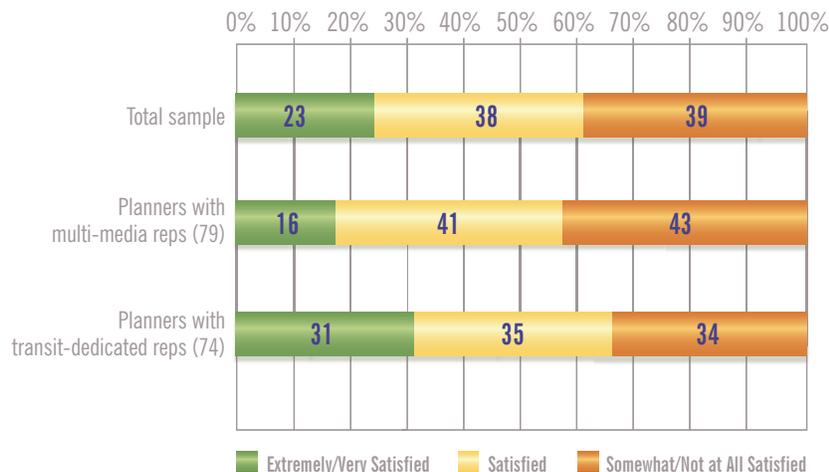
Attitudes and Habits Concerning Transit Media



Key Finding: Media planners' satisfaction with transit media sales reps is low.

- Overall satisfaction with sales reps is low, especially satisfaction with reps who sell transit plus other media.

Satisfaction with Transit Media Sales Reps



RECOMMENDED POSITIONING:
Transit media are the media that get “up close and personal” with your consumers so that they don’t just see, they experience your brand message.

Recommendation #1: Reposition transit advertising to differentiate it from billboards, elevate its importance, and update its image.

The upside growth opportunity for transit is greatest if its most significant perception issues are addressed. The research team recommends that transit evolve its “captive audience” positioning to become the medium that surrounds consumers, touching them multiple times during their daily travels. Transit will come to be seen as a critical part of any audience exposure experience. A positioning along these lines will differentiate transit from billboards, elevate transit media’s importance, and update transit to today’s times.

Recommendation #2: Promote transit media among both media planners and advertisers.

Transit media would benefit significantly from an advertising campaign communicating the new positioning of transit to media planners and advertisers. Other forms of promotion would also help to generate advertising sales growth, including participation in out-of-home media conferences for media planners and advertisers, producing case studies of best-in-class transit advertising, and building a search engine containing profiles of all transit agencies’ advertising assets.

Recommendation #3: Create a transit media trade group.

Like most other media, transit needs an advertising industry group that exists to promote the medium. Implementation of the core recommendations of this growth plan—from advertising the benefits of transit advertising, to better arming the sales force, to expediting implementation of new advertising technologies, to developing an audience measurement system—is wholly dependent on the formation of this group.

Recommendation #4: Develop a credible audience measurement system.

Transit media’s image suffers from skepticism about its effectiveness, its reliability, its efficiency and its value for the money. All of these concerns will be addressed if and once transit media become measurable. It is instructive to note that the billboard advertising industry’s implementation of an audience measurement system (scheduled for late 2008) is expected to double annual billboards advertising revenue.¹

Recommendation #5: Introduce digital and interactive (experiential) technologies to transit advertising.

Two-sheets and bus kings² are no longer enough in a media environment that is already embracing digital and interactive formats. Transit media need to become digital and interactive, itself, as soon as possible. Success introducing new products and technologies will require stronger partnerships between transit agencies and sales contractors than exist today. Without the commitment of the transit agency to pursue new advertising ideas, and without the proper financial motivation for both parties, meaningful innovation in transit advertising is unlikely.

¹ Wachovia Capital Markets Report, January 2007.

² Bus kings and queens are ads that appear on the sides of buses; kings are typically 30” high x 144” wide and queens are typically 30” high x 88” wide.

Recommendation #6: Address transit media's product and image deficiencies.

Repositioning transit advertising and introducing audience measurement and innovative new products will go far in addressing transit advertising's perceived deficiencies. Some additional perceptions are weakening transit advertising's image, as well, and therefore must be addressed: the perception that transit media are not clean, the perception of high production costs and the perception that advertisers have negative perceptions of transit. These perceived deficiencies help to explain why two-thirds of media planners are either on the fence or in agreement that "It's difficult to sell transit media."

Recommendation #7: Develop specific strategies to promote ad sales of transit agencies outside of the top 20 markets.

The first strategy for non-top 20 markets is to tailor communications to the correct target audience. This audience will likely most often be the media generalists with local/regional clients. This audience is the one transit agencies most need to convince about the value of transit media. Another strategy is to bundle non-top 20 markets into unique, high-value offerings. For example, all of the markets that serve colleges could be bundled and offered as a package. Another recommendation is to create a centralized, searchable electronic data base including profiles of all public transit agencies' advertising inventories.

Recommendation #8: Arm sales force with information, research, and case studies (and ultimately, measurement).

The transit media sales force (comprising all advertising sales contractor reps as well as transit agencies' in-house sales teams) needs more effective sales materials as soon as possible. In the absence of an audience measurement system, transit should conduct a multi-site effectiveness study quantifying the impact of transit advertising campaigns. The results of this study should be developed into a brochure that also articulates the new positioning of transit advertising and includes case studies showing transit advertising at its most fresh, most exciting, and greatest impact.

Recommendation #9: Address media planners' dissatisfaction with sales reps.

From the data can be inferred that a portion of media planners' dissatisfaction with transit media sales reps must be attributable to sales reps' inability to provide the basic measurements, tools and information that media planners expect. The data say in addition, however, that transit sales reps are overall pretty average at making the effort to understand the media planner's needs and the advertiser's objectives. A striking finding of this study was the significant difference in media planner satisfaction with multi-media sales reps versus transit-only sales reps. The study offers evidence that multi-media reps (roughly half of the sample is served by this type) do not give as much sales time to transit as they do to other media.



"Transit media's image suffers from skepticism about its effectiveness, its reliability, its efficiency and its value for the money. All of these concerns will be addressed if and once transit media become measurable."

Recommended Next Steps

Here is the short list of the most critical activities to pursue in the next six to nine months.

1. Conduct qualitative research with media planners to explore several issues in greater detail:
 - Confirm the proposed positioning;
 - Inquire about the media planning tools, resources and information about each city's transit media opportunities (for the searchable data base) they would find most useful;
 - Explore dissatisfaction with sales reps;
 - Explore perceptions of high production costs and lack of cleanliness; and
 - Explore media planners' perceptions of negative *advertiser* perceptions of transit media.
2. Establish the transit advertising trade association.
3. Develop and launch national advertising promoting the benefits of transit media (as expressed in the new positioning).
4. Develop a sales brochure that expresses transit advertising's new positioning and showcases transit advertising's best usage.
5. Explore opportunities for transit's participation in out-of-home industry events conducted for media planners and advertisers.
6. Commission multi-market research measuring the effectiveness of transit advertising.
7. Develop the national searchable data base of transit agencies' advertising opportunities.
8. Develop the transit advertising website, populated with resources for media planners as well as for transit agencies and sales contractors.
9. Establish an industry-level project team for development of an audience measurement system.
10. Establish an industry-level work group to develop strategies for aligning transit agencies' and sales contractors' incentives to pursue new product and technology development.
11. Encourage transit agencies to work with their sales contractors to better maintain the cleanliness of their advertising spaces.
12. At the transit agency level, gain the explicit commitment of transit general managers, board members and other decision makers to the efforts required to drive significant increases in advertising sales.