County Connection

INTER OFFICE MEMO

Agenda Item 7.b.2.

To: Board of Directors

Date: December 11, 2013

From: Mary Burdick, Sr. Manager of Marketing

Reviewed by:

## SUBJECT: Bus Advertising Program

**Summary of Issues:**

County Connection has contracted with outside firms for bus advertising since 1995, and is entering the final option year with Lamar Transit Advertising which ends January 2014. It is necessary to release a Request for Proposal in the spring of 2014 to allow enough time for a seamless transition should a new contractor be selected. The contract has been a four party agreement between WestCAT, Tri Delta Transit, County Connection, and Lamar. Recently WestCAT opted out of the final year.

MP&L Committee members are concerned about the full coverage advertising as well as content. Restricting advertising content is limited by freedom of speech laws although staff is exploring ways to set “design guidelines” for the ads. Our best way to reduce the impact of the ads is to limit the size and placement.

In previous contracts there was no limit in ad sizes and historically ads were not as large. Larger format ads and full coverage ads have been made possible by advances in print technology and Lamar is taking full advantage of the market for them.

**Background**

<u>Ad Size Evolution:</u>

When the advertising program began in 1995 there were three standard size bus ads, based primarily on the production process at that time. By the late 1990’s a new material was introduced allowing window coverage without compromising passenger visibility. Production costs were high which limited the number of advertisers that could afford this full coverage approach.

In the early 2000’s the introduction of digital printing drove production costs down, and also made custom sizing possible. At the same time, bus advertising agencies were responding to changes in the design of the bus. The new low floor buses have less space below the windows for standards size ad placement, so partial and full window coverage was an adaption to this shrinking side panel.

Attached are some examples of ad formats that extend into the windows.

Lamar Contract:

The current contract with Lamar Transit began in January 2010 and is for interior and exterior advertising services. County Connection, Tri Delta Transit, and WestCAT fleets are included in the joint contract. Revenue generation is based on a 55% split of the advertising revenue going to the agencies, and a minimum annual guarantee. Revenues are distributed based upon the ads placed on each agencies fleet. The minimum guarantee for each agency was set in the contract. Next year County Connection will earn a minimum guarantee of $545,000. There has never been a month when revenues exceeded the minimum guarantee as sales on County Connection buses have not been high enough for the 55% split to exceed the minimum guarantee.

Earlier in the year, marketing staff spoke with Lamar Transit about the potential revenue loss if full back, full side, and fully wrapped (3 sides) advertising was prohibited. Based on the current sales they estimated this loss result in approximately a $200,000 reduction in the minimum guarantee. If additional formats are prohibited, the impact could be greater.

Historic Ad Sales Revenue:
2000 - $600,000
2001 - $650,000
2002 - $700,000
2003 - $750,000
2004 - $800,000
2005 - $536,755
2006 - $617,403
2007 - $677,059
2008 - $663,485
2009 - $550,000
2010 - $450,000
2011 - $515,000
2012 - $525,000
2013 - $535,000
2014 - $545,000

**Committee Recommendation:**

The MP&L Committee recommends that a pricing structure for two options be requested in the next RFP.

Option 1: Limit full format advertising to 20% of the available fleet.
Option 2: Limit advertising sizes to only those that fit below the windows.

Constructing an RFP with two pricing options will give the Board firm costs for comparison.


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