County Connection

INTER OFFICE MEMO

To: Marketing Planning and Legislative Committee   Date: June 25, 2014

From: Anne Muzzini, Director of Planning and Marketing   Reviewed by:

Subject: Bus Advertising Contract

Background:

County Connection contracts with Lamar Transit Adverting for bus advertising services. The current contract includes revenue guarantees for both County Connection and Tri Delta Transit. In this final year County Connection will receive 55% of revenue or the minimum annual guarantee of $545,000. To date the revenues have never exceed the minimum guarantee threshold. The contract expires December 31, 2014.

The MP&L Committee has previously discussed the pros and cons of a joint contract with Tri Delta and WestCat as well as options for ad coverage. They directed staff to test the market to see what the cost would be to go it alone, and to limit the amount of full coverage ads. In April staff released a Request for Proposals based solely on the County Connection service area, and asked bidders to present two separate compensation proposals. One was a compensation structure for ads that fit below the window, and the other was for full coverage ads on no more than 20% of the fleet. In both options no advertising in the headliner space above the windows is allowed due to branding elements that will be located in this space.

Current Ad Coverage

In 2013, as part of a 2 For 1 special sponsored by Lamar Transit, full side and full wrap ads were included in the promotion, which lead to a large portion of the fleet being covered on at least one side. This raised concern among staff and the Board.

This year Lamar has agreed to monitor the amount of full coverage advertising even though no limits are placed in the current contract. The May activity report shows 22 placements that extend partially or fully into the side windows, which exceeds 20% by only one bus (103 buses available for ads).

RFP Process

Bid notices were sent to eight firms; four requested complete bid packages; and Lamar Transit Advertising was the only firm to submit a proposal.

Lamar’s Proposal:

In addition to two ad space coverage options, bidders were asked to give us to payment pricing structures; a fixed guarantee, or a share of the gross with a minimum guarantee. The current contract is based upon a share of the gross with a minimum guarantee.

Option A – Ads below the windows only

Fixed Annual Guarantee		Percentage of Gross/with min. guarantee
Yr. 1	$500,000	55%/$475,000
Yr. 2	$505,000	55%/$480,000
Yr. 3	$510,000	55%/$485,000
Yr. 4 (Optional)	$515,000	55%/$490,000
Yr. 5 (Optional)	$520,000	55%/$495,000

We would lose between $45,000 and $70,000 compared to our current revenue for limiting ad space below the windows.

Option B – Full wrap coverage on up to 20% of the fleet

Fixed Annual Guarantee		Percentage of Gross/with min guarantee
Yr. 1	$600,000	62%/$575,000
Yr. 2	$605,000	62%/$580,000
Yr. 3	$610,000	62%/$585,000
Yr. 4 (Optional)	$615,000	62%/$590,000
Yr. 5 (Optional)	$620,000	62%/$595,000

Under this option we would see an increase of between $30,000 and $55,000 over our current revenue. This indicates that we will not lose money if we go it alone.

Recommendation

There are several decisions in front of the Committee.

1) Should we go it alone?
2) Should we eliminate full coverage ads?
3) Do we want to keep the same payment method (%of gross with min. guarantee) or switch to a fixed guarantee?

Staff recommends that we do contract independently for advertising revenues so that there is a direct link between the ads placed on our buses and the revenues we receive. Going it alone also avoids arguments about the fair split that have happened under the current agreement. Staff asks that the Committee discuss the other decision points.