OAKHURST MARKETING

HOME | TESTIMONIALS | CONTACT US | EMPLOYMENT

HOME

SIGNS:

- **Sign Monuments**
- **Routed & Sandblasted Signs**
- **Electric Signs**
- **Site Signs & Banners**
- **Interior Signs & Displays**

MARKETING:

- **Marketing Services**

Education Center

Picking the Right Sign Materials:

Make sure you know what material fits your specific needs (more)

The Oakhurst Advantage:

Quick turn-around and outstanding customer service makes Oakhurst the right choice.(more)

The Effectiveness of Signage

Cost Effectiveness of Signage

Back to education center
downloadable PDF

Signage should be considered part of your overall advertising theme - TV and radio spots, a Web site, Internet advertising, newspaper or magazine ads, and so on. Like any advertising medium, the value of a sign to your business depends on its ability to effectively communicate its message to prospective customers.

To grow and run a successful business, you need to have effective signage, as the following case studies demonstrate.

Case Studies

Belmont Auto Spa, a car wash business, had a sign that was illegible and too low to the ground to be visible to passing vehicles. Additionally, the owner wanted to attract more customers to the new detailing services that the company was offering. A new pole sign, costing $15,000, was erected with a reader board promoting specials. As a result, the detailing segment of the business increased 125% . The new sign increased overall business by 15% creating additional gross revenue of $135,000 in the first year. The sign paid for itself in just six weeks.

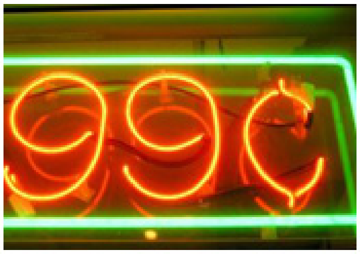
In the story of Frenchy's Bistro customers at one time referred to the restaurant as the one "near the paint store," since that store had a more noticeable sign. Frenchy's sign - a small, one-dimensional sign that was flat against the facade of the building - was hardly visible to the street. Only residents familiar with the area frequented the restaurant. When revenues had stagnated, a friend of the owners suggested a new sign.

The installation of a new V-shaped, internally illuminated sign increased gross annual revenues by 16% during the first year. In the second year, revenues increased another 32% . Frenchy's later expanded into the shop next door and added an even larger sign. In four years, as a result of the restaurant expansion and signage improvement, gross income increased 322% to over $823,000.

To make money, you'll have to spend money - especially on advertising. The advertising industry traditionally relies on four measures to assess the effectiveness of the money spent on an advertisement. These methods are:

-Reach
-Readership
-Frequency
-Cost per thousand exposures

1. Reach: This measurement addresses the types of consumers exposed to the advertiser's message. For instance, cards are frequently enclosed in magazines, or consumer electronics devices, or packages obtained through e-commerce retailers. It is hoped that the consumer will fill out the survey typically found on the card - level of income, age bracket, and so forth - so that the retailer can determine the characteristics of a typical customer.



2. Readership: Determining readership is a way of learning whether or not your sign is successfully branding its intended message in the mind of consumers. Can someone who sees your sign recall its message hours or days after having seen it? When viewed, is there recognition of your product or service in the mind of that person?

As a means of testing recall and recognition, larger businesses can afford the help offered by ratings service companies to measure the results of an advertising campaign. For example, Nielsen Media Research is relied upon for such assistance by those who advertise heavily on television or radio. Small business owners who operate a store in a large franchise or chain operation have access to such readership tabulations. Small businesses that operate independently, however, do not. The services of a local market researcher or a trade association for your industry can help independents measure readership.

Since 1997, Signtronix (located in Torrance, California) has helped 488 independent small businesses measure readership. Each of the businesses surveyed 15 to 30 first-time customers to determine what prompted their visit. In all, the businesses surveyed 7,203 first-time customers, each within 30 to 45 days after the installation of a new sign. One of the survey questions was, "How did you learn about us?" Here's how they responded:

Your sign:	46% (3311)
Word of mouth:	38% (2708)
Newspaper advertisement:	7% (511)
Yellow Pages:	6% (450)
Radio commercial:	2% (133)
Television commercial:	1% (90)

Signtronix Survey, 2003

These results clearly demonstrate two things: (1) the signs were effectively speaking to (or being read by) potential customers; and (2) signs are the most effective form of advertising for the small independent merchant.

Measuring readership is important. Without knowing the effectiveness of your signage, you won't know if it's doing its job. Having this tool at your disposal allows you to identify whether your sign is working, and will allow you to make changes to improve your effectiveness in attracting customers.

3. Frequency: This measurement calculates the number of times a viewer, reader, or listener is exposed to the advertiser's message. For example, a newspaper can estimate the number of people exposed to an ad based on the number of newspapers delivered or sold.

Frequency measures are harder to determine for sign owners - particularly those who own on-premise signs. Many drivers pass by your site. Some see your sign only once, while others - who might live or work nearby - see your sign regularly. Traffic counts (which are discussed in detail in Chapter 5) identify the number of vehicles that travel a particular stretch of road. However, it is certain those drivers (and their passengers) don't all see your sign. Because of this, traffic count figures obtained from government sources should be factored into your calculations rather than used as printed.

4. Cost per thousand exposures: This measurement refers to the cost for an advertiser to send a message (or "exposures") to 1,000 receivers. The measure is calculated by dividing the amount of money spent for a given advertisement by the number of people exposed to it over a given period of time. This method is commonly used by all commercial communication media, be it radio, television, print, direct mail, outdoor advertising... or on-premise signage.

Calculating comparable costs per 1,000 exposures for advertising media relies on frequency measure. Once a frequency figure is obtained, then the total out-of-pocket cost for the medium - in our case, the sign - is divided by the number of exposures occurring during a defined time period.

Based on this measure, signs are usually considered to be the least expensive form of advertising.

For example, imagine that you have a set amount - say, $16,500 - to spend on advertising. You've narrowed down your options to four: TV, newspaper, outdoor advertising (a/k/a billboards), or an on-premise sign. You've done your research, and learned that for $16,500, each option is capable of reaching a different number of people (or "trade area," to use the clinical term).

How efficient, though, would the exposures be over a 30-day period? And how would they compare to one another? Below is a table that answers that question:

TYPICAL COST PER 1000 CONSUMER EXPOSURES COMPARISON				
Assumptions	Television	Newspaper	Outdoor Advertising	On-Premise Sign
Trade Area	40,000 households	Circulation of 40,000 households	333,350 cars per day	30,000 cars per day
Consumer Exposures (over a 30-day period	1.2 million	4.75 million	10 million	900,000
Consumer Exposures in Thousands	1,250	4,750	10,000	900
Cost per Month	$16,500	$16,500	$16,500	$115
Formula	Media Cost ÷ Consumer Exposures	Media Cost ÷ Consumer Exposures	Media Cost ÷ Consumer Exposures	Media Cost ÷ Consumer Exposures
Calculations	$16,500 ÷ 1,250	$16,500 ÷ 4,750	$16,500 ÷ 10,000	$115 ÷ 900
Cost per 1000 Exposures	$6.60	$1.56	$0.82	$0.13

Some Explanation is Necessary:

The "Trade Area", at least for Outdoor Advertising and On-Premise Sign, is measured by viewers present in motor traffic. Traffic counts can be obtained from your state's Department of Transportation (visit www.statelocalgov.net to find the Web site for that agency in your state). Their figures are typically presented as estimates of annual average daily traffic (AADT), or the average number of cars for a given stretch of road measured over the course of a year. Figures obtained from your government agency should be adjusted for two things: a) the probability that a vehicle will have more than one person riding in it, and b) the likelihood that not everyone will actually notice your sign. The number used above for On-Premise Sign (30,000) is typical of a four-lane road that passes through a commercial business district in a midsized American city.

Why are the Consumer Exposures for Newspapers different from Television, despite the fact that both have a Trade Area of 40,000? The Newspaper figure also includes readers gained via newsstand sales, as well as from subscriptions with institutions that have multiple readers (for instance, a hotel that supplies a copy of USA Today for every guest).

A recent survey conducted for Chain Store Age magazine shows the average life span of on-premise signs in certain industries in the retail sector to be 12 years, or 144 months. This table assumes a straight-line depreciation over the life of the sign. Its cost per month, then, is the cost ($16,500) divided by the life of the sign (144 months).

The actual cost of your on-premise sign will vary greatly, depending on several factors: size, the materials used in construction, the sophistication of the text or graphics, the region of the country, etc. The $16,500 figure used above is for demonstration purposes, and isn't meant to imply that this is what you'll actually spend.

From the above media cost evaluations, one can quickly note that the on-premise sign provides exposure of its message to a large pool of potential customers at a fraction of the cost of other media.

Here's how you can calculate a cost per thousand exposures for your own sign:

1. How much do you plan to spend for your on-premise signage?

2. Presume the life of your sign is 12 years, or 144 months. (if you plan to work with a professional sign company, they will be expert at gauging the estimated life of your sign. If they are involved, use the estimate they provide instead.) Use that time frame for the depreciation period in step #3.

3. Take your answer in #1 and divide it by 144 (or the duration per your sign company). The answer shows your sign's cost per month.

4. How many cars pass your trade area daily? (If the transportation department does not track this information, a local billboard or sign company may be able to help.)

5. Multiply the number of cars per day times 30 to obtain a monthly estimate.

6. Divide the answer in #5 by 1,000. This provides your monthly gross impressions in thousands.

7. Divide #3 by #6 to determine your cost per thousand exposures.

Look at your cost per thousand exposures. Determine how much advertising you would need to purchase in other media to obtain the same number of effective consumer exposures. Is there a more affordable advertising option than on-premise signage for your business?

Impact of Signage on Profitability

We've just analyzed the cost-effectiveness of on-premise signage. What about its impact on your profit line?

In 1997, the California Electric Sign Association and the International Sign Association published the results of a survey commissioned from the University of California - San Diego. The survey was a two-part study of on-premise signage performance.

Part I of the study measured the impact of several variables (including signage, location, hours of operation, population density, and geographic characteristics) on sales at each of 162 southern California locations of a fast-food chain. The results of Part I showed that the number of signs at a particular site had a significant and positive impact on both annual sales and the number of annual customer transactions. Noteworthy findings include:

1. On average, one additional on-premise sign resulted in an increase in annual sales revenues of 4.75%. In other words, if a business had been grossing $500,000 annually in sales, the addition of just one on-premise sign resulted in a $23,750 increase.

2. On average, one additional on-premise sign increased the annual number of transactions by 3.94%.

3. On average, one additional 36-square-foot wall sign added $0.06 per transaction , while one additional 144-square-foot pole sign added $0.78 per transaction. (More on wall signs, pole signs, and other sign types appears in the following chapter.)

Part II of the study analyzed seven years of weekly sales data for Pier One Imports, a national chain retailer of furniture and gift items. The study intended to find out to what extent signage - if modified, added or removed - impacted sales. The results showed that:

4. When new signage was added on previously unsigned sides of buildings sales increased from 2.5% to 7.1%.

5. A new pole sign with the firm's name impacted revenues from 4.9% to 12.3%. Such signs effectively reached passing traffic. Researchers attributed this increase to enhanced visibility of the store's new sign to passing traffic.

6. Small, reflective directional signs increased revenues as well. These signs aid shoppers in finding entrance and exit routes. The impact of these signs increased weekly sales from 4.0% to 12.4%.

It is not uncommon for annual sales at a typical Pier 1 store to be around $1 million. Businesses of this size in the retail furniture industry show a typical profit margin to be 1.2%, while those in the retail gift industry average 3.8%. Consider, then, the additional impact on profitability that signs added to the performance of Pier 1 stores.

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web source:
http://www.shoreguide.info/signdesign/