Stewart
America's Premier Sign Company

The Cost Effectiveness of Signage

On-premise signage should be considered part of your overall advertising theme – TV and radio spots, a website, 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 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 advertisement. These methods are: Reach, Readership, Frequency, and Cost per thousand exposures.

1- **Reach**: This measurement addresses the types of consumers exposed to the advertiser's message.

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 it message hours or days after having seen it? When viewed, is there recognition of your product or service in the mind of that person?

3- **Frequency**: This measurement calculates the number of times a viewer, reader or listener is exposed to the advertiser's message. Frequency measures are hard 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 other – who might live or work nearby – see your sign regularly. Traffic counts identify the number of vehicles that travel a particular stretch of road; these should be factored into your calculations.

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.

   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. 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
Number of People Reached	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
Cost per 1000 Exposures (Cost/Exposures)	$13.20	$3.47	$1.65	$0.13

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 about 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 sign?
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 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 by 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 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 1 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 1 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 from the 1997 CESA study include:

1- On average, one additional on-premise sign resulted in an *increase in annual sales revenues of 4.75%.*
2- On average, on 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*.
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 sign *increased weekly sales from 4.0% to 12.4%.*

Source: "What's Your Signage?: How On-Premise Signs Help Small Business Tap Into a Hidden Profit Center"
A Handbook Developed by
The NewYork State Small Business Development Cneter
Albany, New York
www.nyssbdc.org
Edited by EBSCO Sign Group