

# OUTDOOR ADVERTISING: A VIEW FROM THE INDUSTRY

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## 1 WHAT IS OUTDOOR ADVERTISING?

### 1.1 Definition

**Outdoor Advertising is defined as a rented medium for displaying and transferring commercial information in a visible manner on structures and signs erected out of doors. It is a legitimate land-use form of advertising which is an integral part of the western economic system with direct and indirect benefits for the community as a whole.**

### 1.2 Types of Signs

Outdoor advertising is traditionally associated with large billboards carrying printed, painted, projected images that may be internally or externally illuminated. Signs may be on buildings, fascias, windows, walls and roofs. Freestanding signs may be in frames, on poles and pylons and on street furniture such as bus shelters as well as on balloons, inflatables, trailers, buses, suburban trains, taxis and other commercial vehicles. The advertising messages can be animated and include flashing signs, neon signs, trivisions, electronics and fibreoptics.

The greater proportion of outdoor advertising expenditure is spent on the traditional paper- or vinyl-posted billboards offered by the bigger companies to large national advertisers on a national basis for short to medium-term advertising campaigns.

## 2 THE OUTDOOR ADVERTISING CONTRACTOR

The outdoor advertising contractor is a company, organization or body that offers, for rent, outdoor space as a medium for advertising. This space is usually on specially designed structures erected for that purpose, but the contractor may also secure the rights for displaying third party (or non-locality bound) advertising on buildings, road cuttings, existing bridges etc.

### 2.1 Outdoor Contractor versus Signwriter and others

A distinction must be made between the Outdoor Advertising contractor and various other companies or bodies like the sign writer, the sign writing company and the many informal “advertisers” who plaster public and private walls with pamphlets and every kind of advertisement tied to lampposts and trees.

### 2.2 Outdoor Advertising Companies

The outdoor advertising industry in South Africa is represented by a broad cross-section of companies in terms of size. There are two large publicly listed companies, Corpcom Outdoor and Primedia Outdoor, three or four large, privately owned companies and more than thirty, mainly regional, companies many of which operate in niche markets.

The larger national outdoor advertising contractors offer, for the most part, a full range of outdoor media options, either by having taken over smaller specialist contractors or by natural expansion.

At the top end of the market there are a number of companies that specialise in manufacturing expensive custom-made Spectacular signs that are erected on prime urban sites situated next to major freeways and arterial routes.

There are a number of regionally based companies specialising in a particular type of outdoor advertising medium (trailers, aerial banners, inflatables etc.) or provide local retail outdoor advertising through a variety of structures such as bus shelters, litter bins and ID lights (street identification signs) etc.

### **3 THE SIZE OF THE OUTDOOR ADVERTISING INDUSTRY**

As an industry, outdoor advertising in South Africa is comparatively small, with a share of adspend measured at just under 4%, compared to many European countries with more than 10%. It is anticipated that the industry will continually to show strong growth with increasing urbanisation of the population and demand from marketers who are beginning to realise that, second only to radio, outdoor is the most effective medium for reaching the adult population of South Africa.

While it is a capital intensive industry requiring millions to establish a national holding of advertising sites, the industry's growth is largely fuelled by the easy entry of small family-owned businesses which are able to build up regional site bases by obtaining long-term site and advertising leases. Following the international experience, once a regional company reaches a critical size it usually merges with, or is bought by a larger national company.

At a local level, various Metropolitan Councils have either drawn up, or are in the process of revising Advertising Policies and amending their by-laws using SAMOAC as a guideline. In general terms, both the SAMOAC document and some of the newer policies have demonstrated a more deregulatory approach based on the recognition of three Landscape Types: *Natural*, *Rural* and *Urban*, which require three levels of control: *Maximum*, *Partial* and *Minimum*.

### **4 HOW THE OUTDOOR ADVERTISING INDUSTRY WORKS**

This summary concerns Outdoor as a paid for medium – an advertising medium like TV, Print, Radio, Cinema etc., where the Outdoor Advertising contractor rents out or sells advertising space on specially erected structures.

- 4.1 The Outdoor Advertising contractor has no say in what goes on a billboard or advertising sign – provided it conforms to the requirements of the Code of Advertising Practice as laid down by the A S A of South Africa to which OAASA members subscribe.
- 4.2 The contractor's role is to find suitable sites for erecting advertising signs and to rent out the space to an advertiser – much in the same way as TV, Radio and the Press provide time and space for advertisers.
- 4.3 The contractor obtains the rights to erect an advertising sign on a site and negotiates a site rental fee with the landlord. The land may be privately owned, or State-, Provincial-, Railway-, Municipal- or township-property.

- 4.4 The contractor then obtains permission to use the site for an advertising sign with the Government or Provincial body, the Municipality or local authority concerned. The approval may be an unconditional or a conditional one where approval would be subject to several conditions such as approval by Traffic or Electricity Departments, or following an E. I. A. etc.
- 4.5 Only when an unconditional approval has been given by the appropriate authority, or all conditions have been satisfied, is the selling mechanism triggered. The contractor sells or rents out the advertising space to an advertiser, either directly or more usually through an Advertising Agency. The Advertising Agency is usually responsible for paying the contractor the agreed rental.
- 4.6 The Advertising Agency receives an early payment discount of 16½% if it pays the Outdoor Advertising Contractor within 45 days of date of Statement. This was originally called the “commission” for providing the creative expression for the sign and for negotiating and securing the space for the advertiser.
- 4.7 The landowner receives a rental from the contractor for allowing an advertising structure to be erected on his property. The rental is negotiable, and if it is based on a percentage of the income received from the advertiser or from the agency, the landlord has a right to see the agreement the contractor has with the advertiser.
- 4.8 The rental payable to the landlord is payable only when the sign is erected. The contractor will commence construction of the sign once an advertiser has been found. Depending on the site, it might take as long as 12 months for the contractor to find a suitable advertiser. After this time the contractor may well have the approval withdrawn by the authority, in terms of its by-laws.
- 4.9 The nature of the Outdoor Advertising business is that there will always be outdoor operators erecting and renting out “illegal” advertising structures. An illegal sign is one for which no written permission has been given for its erection by the parties involved in the process. These parties are: (1) the landlord and (2) the local municipal authority. If the sign is on or visible from a National Road, the additional permission has to be obtained from (3) the S A National Roads Agency Ltd.

## **5 SOURCES OF OUTDOOR ADVERTISING SITES**

There are three main categories of landowners on whose property the outdoor advertising contractor identifies outdoor advertising sites:

- The former SATS (SA Transport Services) or S A Railway Corporation property, now represented by Intersite (Pty) Ltd and Spoornet Ltd;
- Private property;
- Central-, Provincial-Government and Local Authority/Municipal property.

### **5.1 The former SATS property**

- Historically SATS have been the industry's largest source of sites and as such have set the *modus operandi* for site selection and site rental structure in terms of which the outdoor advertising industry negotiates with other landowners.

- Prior to the privatisation of SATS site rentals paid were based on the size of the sign on a square metreage basis. To take into account the wide variety of sizes a very lengthy and cumbersome site rental schedule was drawn up. The site rentals were reviewed annually, taking into account inflation and market conditions. However the square metreage basis of calculating site rentals was found to be neither practical nor equitable as it was seen that the same site rental was being paid for a sign erected next to a busy freeway as was being paid for another sign of the same size on a quiet secondary road.
- After extensive research and protracted negotiations with the outdoor advertising industry and after verifying the revenue and cost structure of the industry, a private business consultant recommended to Intersite (Spoornet) *that a rate equivalent to 20% of the advertising revenue received by the contractor be paid as a site rental.* (i.e. as a percentage of gross revenue before expenses).
- This percentage is accepted by the industry as being in line with going market rates and enables the industry to afford the erection of high quality structures, which attract the big national advertisers, and encourages them to spend more on the medium. This is of benefit to the contractor and the site owner.

## 5.2 Private Land Owners

- In the past, private landowners have been a relatively small source of sites due to legislation restrictions. However, with deregulation they are becoming a competitive alternative to sites on Railway and City Council property.
- In general, private property owners are paid the going market rental of 20% of the advertising income, or the estimated equivalent as a fixed monthly rental with an annual CPI escalation.

## 5.3 Central-, Provincial- Government- and Local Authority/Municipal Property

- Outdoor Advertising opportunities on Central Government and Provincial Government property is either prohibited or limited and, at this stage, not a major source of sites.
- The availability of sites on Municipal-owned land is usually determined by the financial strength of the Council. Wealthier Councils are generally more prohibitive and poorer Councils, who require additional sources of revenue, are more amenable to leasing out their property for advertising.
- Most City Councils lease out sites on the same 20% basis as Spoornet.
- As in the case of Spoornet, City Councils own vast tracts of land (including many kilometres of Road Reserve) and they are encouraged to maximise revenues from outdoor advertising sites. Contractors identify potential sites and apply for them on a first-come-first served basis.
- A policy of conducting business with all outdoor advertising contractors has encouraged companies to specialise in different types of structures aimed at different niche markets. This has effectively increased the overall size of the market to the benefit of both contractors and the cities.

## **6 WHAT IS THE NEED FOR OUTDOOR ADVERTISING?**

- 6.1 It is part of our communication system;
- 6.2 It advises people of the availability of goods and services;
- 6.3 It provides information to assist making informed decisions;
- 6.4 It advises people of their rights and obligations as citizens;
- 6.5 In its various forms it informs, guides, directs, persuades and warns people about a number of things we need to consider in our daily lives.

## **7 THE IMPORTANCE OF OUTDOOR AS AN ADVERTISING MEDIUM IN S.A**

### **7.1 The Development of Outdoor**

Once the "poor relation of advertising", outdoor has evolved to become one of the most innovated media in recent times. It has expanded from being represented by posters and billboards in the early fifties to now being made up of more than forty different media types ranging from video walls at airports through high-tech electronic billboards in metropolitan areas to store fascias and 6-sheet posters in remote rural villages.

### **7.2 A means of reaching an illiterate market**

Outdoor Advertising is the only way of communicating visually with the bulk of the adult population of South Africa of which 60% are functionally illiterate. It is the only medium by which product messages can be directed to some of the major target markets, particularly in rural areas.

### **7.3 The importance of outdoor in reaching the third world market**

As mentioned above, Outdoor Advertising is arguably the most effective way of communicating with the third world element of our population. There are vast masses of people who do not have access to television nor do they buy or read newspapers and magazines. But they are exposed to Outdoor Advertising at their local trading stores in the rural areas and at shopping complexes in the townships.

Eminently successful marketing giants like Lever Ponds and SA Breweries recognise this fact, and it is companies like these that use some of the many Outdoor media options to address these markets.

### **7.4 Outdoor and Radio, a case of 'media synergy'**

In addition to Outdoor, some 98% of all our third world people have access to a radio. Therefore, campaigns making use of Radio in conjunction with Outdoor will deliver Reach and Frequency objectives at an unbeatable cost.

### **7.5 Outdoor serving the community**

Not only does outdoor advertising form an integral part of an advertising campaign to promote the advertiser's goods or services, but the medium is being used progressively more for community service and as an educational medium for various causes. For example the anti-drug campaigns and

Aids awareness projects are often seen on larger-than-life posters, billboards and buses all over the country.

With a cost per thousand for a 48 Sheet poster campaign (200 billboards flighted nationally for 4 weeks) of R2:00 and a Radio campaign with a similar c.p.t. and the one medium re-enforcing the message on the other, there has to be a very good reason for considering any other medium.

There are some interesting examples of a transition from the third to the first world, particularly in the burgeoning urban areas, and the clever advertiser will design a billboard that will be meaningful to the semi-literate consumer without talking down to the more sophisticated user.

## **8 WHO BENEFITS FROM OUTDOOR ADVERTISING?**

### **8.1 The General Economy**

Outdoor Advertising stimulates trade and maintains economic vitality and viability.

### **8.2 Small Business**

Outdoor Advertising is a particularly important medium for communication for small business.

### **8.3 Rundown Areas**

Good quality, modern signage is essential to revitalisation of trade for a shop, business, or shopping centre which is run down.

### **8.4 The Community**

People value signs for providing information, identification and warning, particularly when they are in an unfamiliar area - a common feature of today's mobile society and where there is gravitation of rural people to the bewildering cities.

### **8.5 Charities and Community Services**

Outdoor Advertising has an important role to play and is often used for advertising charitable causes such as the Cancer Association, Aids Awareness programmes, etc. Because of its unique ability to penetrate the most remote rural areas, outdoor advertising is invaluable for voter education and political advertising.

### **8.6 Amenity**

Good quality and well maintained signage can contribute to an area by screening unsightly features and by adding colour to a drab environment. It is effective as an alternative to a graffiti-prone wall.

Large advertising signs enhance the symbolic value of a city by becoming landmarks and objects of interest and pride for its citizens and visitors alike (e.g. Piccadilly Circus and Times Square).

### **8.7 Safety**

Illuminated signs at night provide a warm and more secure environment than unlit streets or sterile street lighting. Brightly lit areas, intensified by advertising signs, reduce public feelings of fear in city areas, making them safer and friendlier.

Discreet and well-positioned advertising signs in rural areas have been seen to be of some value in reducing a motorist's boredom and thus making a positive contribution to safety.

### **8.8 The Advertiser**

The owner of the product or service obtains exposure which may not be available in other media (e.g. small business) and enables the advertiser to make the product/service known to the community. Outdoor advertising is also the medium which most other media use to promote themselves.

### **8.9 Site Owners**

Local residents, property owners, town and city councils and government are able to receive income through ownership of suitable sites for this medium - thus making a contribution to the local economy.

### **8.10 The Advertising Contractor / Sign Company**

As an employer of skilled, semi-skilled and unskilled labour and as a user of products and services of other companies, the outdoor advertising contractor has an important part to play in local and the national economy of the country.

### **8.11 Government**

Apart from the direct use of the medium by various regional authorities and government departments to promote their services and provide information, local governments can collect site rentals from signs, which become a supplementary source of income.

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## **TONY DAVIDSON**

General Manager of the Outdoor Advertising Association of SA since March 1992.

After graduating from the University of the Witwatersrand with a BA Honours and part BSc Mining Geology degree and obtaining a High School Teaching Diploma at the Johannesburg College of Education, he taught for a year before becoming an exploration geologist in the Kaokoveld and Skeleton Coast of South-West Africa for African Selection Trust.

He then joined United Tobacco Company in the Personnel Department, initially in recruiting and then in Management Development and Training. He was Advertising and Promotions Manager for 10 years before leaving to become a Director of Admark-Greenwood Advertising Agency. He returned to United Tobacco as Marketing Manager and a Director of Benson & Hedges where he was instrumental in introducing the B&H Series night cricket to the country.

Tony is a member of the Board and the Advisory Committee of the S.A. Advertising Research Foundation, serves on the Advertising Standards Committee of the ASA of S.A. and the Loerie Awards committee.

Married with three grown up children, his outside interests include the indigenous trees and birds of the African bush, Anglo-Boer War and Zulu history and restoring and rallying vintage motor cycles.