THE ECONOMIC VALUES OF ON-PREMISE SIGNS

by
Raymond T. Anderson

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CHAPTER I

Introduction

The value and use of on-premise commercial signs is best approached by using several different perspectives. First, those which examine the functional use and value of a sign to a sign owner trying to attract business, and then to the consumer who wants to do business with that sign owner for the products and services sold there.

These "communication pairs" need to be examined by the different categories of businesses that employ on-premise signs. Each needs to communicate with the customer and prospect, but their needs can vary substantially from trade to trade. Indeed, even within a single trade, such needs can vary depending upon the relative sizes of competitors and upon the degree of familiarity the public has with that locality.

As mobile shoppers, the public has varying communication needs, depending upon whether people are shopping in their own local market area, or hundreds of miles away in an unfamiliar locale.

Many of the sign laws and ordinances developed in recent years tend to ignore these values and treat on-premise signing as an optional communication form. For most business owners—and particularly small business—this is simply not true.

However, the fault for this misunderstanding probably lies more with the business owners themselves and with the on-premise sign industry than with local planning agencies, city councils, and regulators, who—usually because they lack information—tend to overreact to the occasional signage abuses. This results in the enactment of restrictions which are inappropriate for the circumstances and too severe for the average small business.

An understanding of the "primary mobile market" for any particular local business is the key to this problem. This means those people in their cars who normally use the street on which the business is located to go to work, to shop, etc.

Understanding this specific marketing phenomenon gets at the heart of the value of an on-premise sign for any given local business that sells to the public, and makes it easier to appreciate why the owner's on-premise sign is so critically important to him, more important, in most cases, than other forms of commercial communication or advertising.

CHAPTER II

The Public Attitude Towards On-Premise Signs

We make use of a business' on-premise sign in some manner almost every day. This is particularly true when we find ourselves in an unfamiliar area. Despite this obvious fact, the functional value of signs is usually ignored when it comes to the matter of zoning ordinances. Function is often abandoned in favor of the amorphous subject of aesthetics as perceived by some small group within a given community.

The vocal minorities in the community who frequently want to limit and restrict on-premise signing overlook the business owners' needs and play down the economic importance. They emphasize almost exclusively their own perception of aesthetics, and usually claim their viewpoint is shared by the majority of the local citizens. The public opinion surveys* upon which this report is based clearly demonstrate that this is not true.

Quite to the contrary, people do place heavy reliance on the use of on-premise signage and generally approve of the signs that are being used by the businesses in their communities.

Almost every person in America perceives daily that he or she has one or more needs that require shopping to be fulfilled. The perception of that need, whether it represents a plan of long-standing, or the impulse of the moment, is the first step in the buying decision. Sometimes the perception of the need is as a result of an actual shopping trip, and people in the United States are noted for being "shoppers."

In any event, "shopping" becomes the next step in gathering information about the potential purchase from all available sources, and this frequently means a visit to the business establishment offering this product or service. This is where the on-premise sign plays a critical role in the shopping decision in two ways: by creating an awareness and by serving as a reference.

Mobile Shopping

The most important contribution from the business point of view is that the on-premise sign (if it is an effective sign that this particular shopper has been exposed to in the past) will have built and created an "awareness" of that business name and will have developed an image of that business and some information about it. If this has happened, it probably means that the shopper, perceiving his or her need, will automatically think of this particular business and plan to stop there in the near future.

Secondly, if the sign has not built name and image awareness of that business, at least it is there for later reference when the shopper moves into the "mobile shopping" stage, looking for that type of business.

Americans use the automobile more than any other modern society, partly because of our affluence as a nation, but mostly because it represents a basic freedom and means of mobility. The auto has meant a freedom to live wherever we want to in a community—sometimes many miles from our place of employment. This has resulted in sprawling metropolitan areas like Los Angeles, where an automobile is an absolute must. It also means that we can shop wherever we want, which is the basis of mobile shopping. In addition, the auto is the number one source of our recreation, whether it be for a social visit during the week, a sporting event, a weekend getaway or a major vacation trip.

Mobile shopping is a natural part of and extension of the American love affair with the automobile. It is natural for people to get in their cars, and set out on Saturday morning to shop for a particular product or service in familiar areas or to extend their search by driving to unfamiliar locales.

Therefore, the most important information to be garnered from a survey of the public on this matter is determining how they use on-premise signs in connection with their mobile shopping and with what specific types of purchases.

*The four public opinion studies were conducted in Naperville, Illinois, Corpus Christi, Texas, Palo Alto, California, and Lubbock, Texas. Two were conducted exclusively by National Research Service of Bedford Park, Illinois, a Division of the 3M National Advertising Co. The author, before retirement, was the managing director of National Research Service. The other two surveys were conducted jointly by National Research Service and the Institute of Signage Research under the direction of Dr. James Claus.

Comparison Shopping

Another factor that must be considered in such a survey is American shopping habits. We are inveterate comparison shoppers. This subject has been examined in our surveys and the following table illustrates the extent to which "comparison shopping" is a part of the buying decision.

Table I demonstrates that the composite average of "shoppers" for 15 varied types of businesses and purchases or trades is 69.3%. At the same time, 30.7% say they are loyal to a particular place. In either instance, the on-premise sign is important to these individual business groups.

TABLE I
Incidence of Comparison Shopping by Individual Trades

Type of Shopping	Prefer To Shop Several Places %	Loyal To One Place %	Total %
1. Service Stations	54.7	45.3	100.0
2. Liquor Stores	45.6	54.4	100.0
3. Shopping Centers	76.8	23.2	100.0
4. Theatres	96.4	3.6	100.0
5. Drug Stores	45.9	54.1	100.0
6. Fast Food Restaurants	79.1	20.9	100.0
7. Auto Dealers	76.2	23.8	100.0
8. Banks	29.8	70.2	100.0
9. Builders Supplies	70.0	30.0	100.0
10. Floor Covering Stores	68.3	31.7	100.0
11. Furniture Stores	88.5	11.5	100.0
12. Clothing Stores	96.2	3.8	100.0
13. Motels	79.4	20.6	100.0
14. Home Improvement Stores	66.0	34.0	100.0
15. Garden Supplies	66.0	34.0	100.0
Mean Averages	69.3	30.7	100.0

Developing customer loyalty to a particular place of business requires building a very high degree of name awareness and image which is the principal function of an on-premise sign. But if that hasn't been done—if the shopper does want to check out several competitors—then the on-premise sign plays a critical role in helping the consumers locate and determine the characteristics of that business.

Next, the surveys examined very specifically the role of on-premise signs in the shopping for 15 trades. Table II illustrates their response to this. 77.4%—as a composite—said that signs are important to them when shopping for a specific product or service and when thinking about specific kinds of purchases. Further, this conclusion is supported by over a hundred proprietary studies examining the value of on-premise signing to specific businesses such as retailers, banks, auto dealers, franchise restaurants, etc., covering the entire spectrum of main street trades.

The individual proprietary studies* of the types of businesses listed went into far greater detail on the shopper and covered the entire business communication process by comparing on-premise signs as an information source to the many other alternative sources, such as print and broadcast media. The consistent result was that the on-premise sign was the number one source of information about a particular business.

TABLE II
Consolidated Results of Four Public Opinion Surveys on the Importance of On-Premise Signs to the Public When Shopping for Specific Products or Services

Type of Business	Very Important %	Not Important %	Total %
1. Supermarkets	77.1	22.9	100.0
2. Banks	77.7	22.3	100.0
3. Motels	82.7	17.3	100.0
4. Shopping Centers	62.3	37.7	100.0
5. Home Improvement Stores	61.2	38.8	100.0
6. Fast Food Restaurants	84.2	15.8	100.0
7. Service Stations			
a. At home	67.2	32.8	100.0
b. On a trip	95.0	5.0	100.0
8. Auto Dealers	77.3	22.7	100.0
9. Furniture Stores	83.5	16.5	100.0
10. Garden Supply Stores	61.2	38.8	100.0
11. Hardware Stores	71.8	28.2	100.0
12. Floor Covering Stores	92.9	7.1	100.0
13. Clothing Stores	73.6	26.4	100.0
14. Discount Stores	79.1	20.9	100.0
15. Theatres	85.8	14.2	100.0
16. Drug Stores	77.6	22.4	100.0
17. Liquor Stores	82.6	17.4	100.0
18. Builder Supplies	78.5	21.5	100.0
Mean Averages	77.4	22.6	100.0

Measuring Public Approval

To determine the public's attitude toward on-premise signs in terms of their appearance, the four public opinion surveys employed this procedure:

- The respondents were asked to recall a specific sign for a specific business in their community.
- Then they were asked again whether or not this specific sign was useful to them in shopping.
- And finally, they were asked whether or not they approved or disapproved of the appearance of this sign.

Table III reports the findings to this inquiry.

As a group, 62.5% could recall the specific sign used in the survey for a bank, service station, auto dealer, etc. 78.0% (Table III) said the particular

*While managing the National Research Service, the author, over a 10-year period ending in 1979, conducted more than 500 research studies and surveys for national advertisers to determine the most efficient ways to utilize their signs. These studies are, of necessity, confidential and proprietary but the results and conclusions are so noted.

sign was useful to them in shopping for that type of product or service, closely correlating with the 77.4% response in the more generalized question. 82.1% said they approved the appearance of the particular sign, and with 17.9% either disapproving or having no opinion.

TABLE III
Recall of Specific On-Premise Signs in the Respondents' Area and Attitudes Toward These Individual Signs

Type of Business	A Recall Seeing Sign	B Useful Type Sign	C Approve Appearance
1. Bank	51.3	76.8	80.1
2. Motel	73.1	85.3	89.7
3. Shopping Center	77.0	67.8	80.0
4. Fast Food Restaurant	72.7	81.0	80.8
5. Service Station	45.4	80.9	85.6
6. Auto Dealer	69.7	78.7	77.5
7. Furniture Store	38.6	71.9	80.4
8. Theatre	72.0	81.7	82.3
Mean Averages	62.5	78.0	82.1

In each of the four communities where these surveys were conducted, a restrictive sign ordinance was then being considered and had been publicized through local newspaper articles, etc. This meant that the respondents were aware that there were some people in the community that were unhappy about the appearances of on-premise signs and who believed they needed to be controlled by rules and restrictions. In spite of this, 82.1% saw no problem with the sign selected for the inquiry—a level very high of approval for any subject submitted to the public for opinion.

It should be noted that the thrust of these public opinion surveys dealt with on-premise signs in the geographical area in which the respondent lived and was familiar. The question then asked whether or not on-premise signs are important, or not important, when the respondent is in an unfamiliar place, such as on business and vacation trips away from home. To that question, 93.6% said, under the circumstances, on-premise signs are very important—or about 21% greater than in locations with which they are familiar.

Vital Role of Signs

It is clearly evident that on-premise signs play a vital role in helping the public, as mobile shoppers learn about and locate specific kinds of businesses to fulfill their various needs. These public opinion surveys confirm that fact quite adequately, and a much larger bank of proprietary surveys confirm it in even far greater detail. Also, there is a high degree of approval for the appearance of on-premise signs as they generally exist at the business locations. Some of the public opinion surveys examined this in more detail in terms of attitudes toward designs, shapes, sizes, condition of sign, etc.

These revealed that the public thought it should be up to the business owner to determine the size, shape, color, etc. of his on-premise sign, but they also felt strongly that the business owner has an obligation to maintain the sign in good condition at all times. They are opposed to signs that are not properly maintained, and particularly to those that had been abandoned, such as when a business moved to another location or closed down.

CHAPTER III

Types of Information the Public Would Like To See on Signs

In the public opinion surveys cited, as well as in the much greater bank of proprietary studies, the public is very articulate in terms of the kinds of information it would like to see displayed on, or adjacent to, on-premise signing. This varies with the type of product or service sought by the shopper and offered by a particular business trade.

It can also vary between the needs of the public as resident shoppers versus shopping in unfamiliar areas such as on a trip away from home or in another part of a metropolitan area. The shopper wants, and needs, to know the name of the establishment, and very specifically what is sold at that place of business.

Businesses that are a part of a large regional or national group, such as chain stores, franchise agents for fast foods or other products or services, or company-owned outlets of well-known brands, must use a uniform type wording and graphics to identify their businesses if they are to take advantage of the accumulated image and current advertising for that business. Sign restrictions which interfere with or restrict the use of these uniform graphics limit the value of the dealership, franchise operation, chain store or similar national/regional business. Independent competitors have even a greater problem in identifying their businesses to the public.

The Independent's Problem

The McDonald's arches type sign is so highly advertised there is no need to say "we sell hamburgers," but any independent competitor in that market, not having that advantage, must clearly identify not only the name, but also that it is selling that type of fast food if he expects to build awareness, which will attract the public looking for that type service.

While the general public may not clearly understand the psychology behind it or be articulate on this subject, many studies reveal that creativity of the on-premise sign can do a great deal to build a favorable image for that particular business. This type of graphic information is important to the public in deciding the "quality" of a particular establishment. Beyond these identification needs, the public is explicit as to certain kinds of information which would be helpful in shopping and in making buying decisions.

Table IV summarizes four basic kinds of information the public would like in regard to retail stores in general.

TABLE IV
Summary of the Types of Information the Public Would Like To See Displayed on or Adjacent to the On-Premise Sign of Retailers in General

Information Desired	Unaided Response	Aided Response
1. Brands carried by the store	41.4	67.3
2. Sales/pricing information	38.2	68.7
3. Services offered	38.9	60.5
4. Hours of operation	21.9	61.9

Note: The above information is in addition to the normal name identification on the sign.

Brand Consciousness

We are a society very much influenced by advertising and therefore most people are brand conscious. This applies to all types of products and services. The lack of success food chains have in selling their house or generic brands vis-a-vis higher priced and heavily advertised brands is strong evidence of this fact. The consistency of market shares for highly advertised brands in any of these product categories is further evidence that we tend to be brand conscious and ultimately develop a loyalty to a particular brand.

Therefore, a typical consumer buying decision, as it applies, for example, to an appliance of any kind will follow this sequence:

1. Perception of the need.
2. Association of the need with the brand enjoying top-of-the-mind awareness.
3. Association of the purchase of that brand at a particular local store.

It is not surprising therefore that the public would like to know what brands are offered at a particular retail store. Of course, they have many ways of finding that out, but, among those, would be information associated with the on-premise sign.

Information Desired

In Table IV there are two scores—unaided and aided response. This simply means the researcher asked an open-end question first, "What kind of information would you like displayed on or near an on-premise sign for retail stores?" and this is the unaided response. The aided response, then, is showing the respondent the different kinds of information and asking, "Do you or don't you care to see that kind of information on, or adjacent to, the on-premise sign?"

Other important information of interest to the consumer is pricing information or anything relating to special sales. Most people are price conscious and are looking for these opportunities when in need of a particular product or service.

"Services offered" refers to a wide variety of non-product features such as credit terms, home delivery, inside parking, and the hours of operation. The consumer would like to have this information available through the on-premise sign.

These four categories by no means exhaust the information that the public would like to see, but they do represent the most important ones and are common to retailers in general. These categories change when non-retail types of trade are considered. Banks, motels and service stations each call for specific—and different—types of information. They are dealt with individually in the next three tables.

Banks

Interest rates are of great importance to the public and leads the list of the information consumers want from banks. Money market opportunities and automobile finance rates are two examples of where buyers typically shop around to see what rates and terms are available.

Banks also offer many other services to the public, some of which may be known to most people. Therefore, it is important to both the public and the bank to use every means possible to communicate these lesser-known services.

As in retailing, the hours that the bank is open are very important. Since they may vary from day to day and certainly between lobby and drive-in facilities, the public would like to know, via the on-premise sign, what the bank's hours are.

Table V shows the type of information the public would like to see on bank signs.

TABLE V
Special Information the Public Would Like To See on Bank On-Premise Signs

Information Desired	Unaided Response
1. Current interest rates available	69.1
2. Time and Temperature information	51.4
3. Auto loan rates	47.5
4. Information on other services	46.3
5. Hours lobby and drive-in are open	23.5

Motels

Table VI deals with the information which travelers would like to see displayed on or near the on-premise signs of motels.

Room rates are of key importance, but many people also want to know about the availability of restaurant services, swimming pools, color TV, and so forth while in the process of making up their minds whether or not to consider the motel.

The average business traveler does not make room reservations when on a trip, but instead selects a motel at the end of the day. With vacationers, this is even more the case. Even in peak summer periods, two out of three vacationers travel without making advance motel reservations. Therefore, they often have a blind—and fairly immediate—decision to make. Information other than the name and identity of the motel is of key importance to them in making that decision.

TABLE VI
Information Travelers Want To See Displayed on or Near the On-Premise Signs of Motels

Information Desired	Unaided Response
1. Room rates	53.2
2. Restaurant services	28.7
3. Swimming pool	20.1
4. Color TV	14.0
5. Kitchenettes	13.5
6. Other miscellaneous information	15.8

Service Stations

Table VII shows the information people would like to see on signs with respect to service stations. It should be noted that this information applies to service stations in the resident market of the respondent. These needs are substantially greater when the same person is away from home on an auto trip.

Gasoline prices are of great importance to motorists at all times, whether at home or on a trip, and they vary widely among self-service versus full service, and credit cards versus cash.

Many service stations offer a full line of tires, batteries and accessories in competition with auto dealers, department stores and tire stores in the area. Here again, the public wants to know if the service station carries these products. The public would also like to have information about quality mechanic service at reasonable prices.

TABLE VII
Special Information the Public Would Like To See on Service Station On-Premise Signs

Information Desired	Unaided Response
1. Gasoline price	73.9
2. Automotive products sold there	37.2
3. Mechanic service available	29.7
4. Type of service available (full or self)	25.4
5. Other products sold there	19.2

Note: The above is in addition to the brand of gasoline.

As noted earlier, there is similar data available regarding the public's informational needs for literally every trade category, but these three examples should be sufficient to illustrate that the mobile shopper would like as much key information as possible displayed on or near the on-premise sign.

The very fact that the public is detailed and articulate concerning their informational needs illustrates the importance and acceptance of on-premise signing.

CHAPTER IV

Business Owners' Attitudes Toward Their Signs

As part of the public opinion studies cited previously, business owners in the same communities were also interviewed to get their opinions of the economic value of their on-premise signs. Personal interviews about their specific on-premise signing were conducted with each of these owners at their places of business. Information gathered included the types of signs they had; whether or not there was participation with a national organization; and their beliefs and opinions as to the value of this signing.

Table VIII reports on the business owner attitude towards the on-premise sign used by the business.

TABLE VIII
Business Owners' Attitudes Toward Their On-Premise Signs

Sign Type	Very Important %	Average Importance %	Not Important %	Totals %
Building Fascia	84.6	14.9	0.5	100.0
Projection	72.3	22.0	5.7	100.0
Ground installation	72.0	28.0	—	100.0
Average	76.3	21.6	2.1	100.0

Note: These are the composite results gained from 283 interviews with business owners in three communities where sign ordinances were being considered.

There are three major types of on-premise signing, as shown in Table VIII, and since the owners often use all three it was felt important these opinions be asked about each type.

76.3%—as a composite score—stated that on-premise signing was *very* important to them. An additional 21.6% rated them as important, which brings a total of 97.9% of business owners who thought their on-premise signs were valuable to their businesses. These 283 different owners represented a true cross-section of every type of main street trade, as well as the different kinds of business operations in each trade, such as chain versus independent, large versus small, etc.

Importance to Customers

Table IX reports the business owners' belief in the importance of their signs to their customers. Nine out of ten felt this signing was useful to their customers, and although most had specific examples of exactly how the signs had been useful to a customer, these are not reported here.

TABLE IX
Business Owner Belief in the Importance of His On-Premise Sign to His Customers

Sign Type	Useful To Customers %	Not Useful To Customers %	Total Response %
Building fascia	92.0	8.0	100.0
Projection	87.7	12.3	100.0
Ground Installation	90.0	10.0	100.0
Mean averages	89.9	10.1	100.0

Tables II and IX provide two perspectives on the importance of on-premise signing to the shopper: 77% of the shoppers said that on-premise signs are useful to them when they are shopping, while 89.9% of the business owners believed that they are important to their customers in the buying process.

Effect of Removal or Alteration

Finally, the business owners were asked to summarize their opinions by answering the question as to what would happen to their business volume if their signs were removed or substantially altered, and the results are shown in Table X, following.

TABLE X
Business Owner's Opinion of the Impact to Its Business That Would Result If Signs Were Removed or Substantially Altered

Impact Level	%
1. Would greatly reduce volume	67.0
2. Would reduce somewhat	20.8
3. Would have no effect on volume	12.2
	100.0

As indicated, two-thirds said that sign removal or major alteration would have a serious negative effect and would greatly reduce their volume. An additional 20.8% said simply that it would reduce their volume. This represents a total of 87.8% of the business owners surveyed who agreed that their on-premise signing is a significant factor to their volume of business.

The sample is not large enough to allow for a valid analysis of these responses by different trades or by the size of the business for example. However, it was obvious during the conduct of the interviews that the smaller businesses had the greater concern since in many cases this represented their only communication with the public in that market. As in the case of the consumer response, these findings are adequately supported by a large body of proprietary research conducted in recent years with most of the main street types of business.

Advantages of Uniformity

The majority of this proprietary research dealt with national manufacturers or service organizations selling through outlets at the local level where they exercised varying degrees of control: company-owned chain operations and dealerships, franchises and authorized agents. In every instance in this type of business there is an approved design for on-premise signing which must be used by the local outlet, exactly as developed by the national organization. The McDonalds arches are an example, as are signs of their franchise competitors, auto dealerships of the major manufacturers, and banks that are part of a chain or a holding company. The uniform signing represents a major part of the total marketing and advertising effort of these national companies.

These businesses are trying to develop loyalty to their "brands" exactly in the same sense as Proctor and Gamble, Seagrams or R.J. Reynolds. They are trying to build awareness of their brands of fast food or automobile or insurance, etc., giving them favorable images and winning the "battle of the minds" at the local level. This effort is supported by substantial national advertising programs which seek to imprint their brands in the minds of the public.

Therefore, it is essential that the wording, graphics, shape and size, etc. of the brand in the form of the on-premise sign be absolutely uniform wherever it is seen. Where a national company or organization enjoys a large number of outlets, the on-premise signing itself becomes a major part of the effort to build awareness and image of that brand. In the case of these local business outlets, the on-premise signing represents a great deal of thought and effort exercised by the national company, using the nation's top designers in order to come up with the most effective graphics. If a local outlet is affiliated in any way with a national company, it must use that particular on-premise sign; it cannot compromise in any way and expect to gain the public recognition developed through expensive advertising campaigns.

The Independent Must Compete

Local independent business operators, competing with businesses affiliated with a company enjoying a nationally recognized trademark are at a competitive disadvantage. Somehow working with a local sign company or graphics designer, they must develop equally effective on-premise signing. If anything, their challenge is to come up with a better on-premise sign that is able to communicate the information which the public wants and needs. Still, the individual independent business owner is going to have only one sign to identify his business, in contrast to the multiple reinforcement of a national company. Best Western motels, for example, with some 2,800 throughout the world have an advantage over an independent motel owner in the same locale.

Regardless of the trade or the size or affiliation or lack of affiliation with a national company, an on-premise sign is one of the most important business tools in any community. Placing unnecessary and burdensome restrictions on what a local business can do with the on-premise signing in terms of size, shape, design, wording, graphics and other elements restricts that business' ability to respond competitively in the marketplace.

Mobility

Consumer needs do vary somewhat from trade to trade, as noted in Table II through VII. However, the greatest intensity of this need, regardless of the type of business comes when the consumer or prospect is in an unfamiliar location. For example, hotels and motels generally rent their rooms to people who don't live in the local area. A small percentage of these, mostly frequent business travelers, may have been to that motel before but the majority of people registering at the hotel or motel have never been there before, and of these a large percentage have never even been in the area. In such a case, information signs are all-important. The same is true with restaurants, although to a lesser extent.

Even the types of businesses that are assumed to be "local" can also have similar problems. For example, if you live in Pasadena, California, and have reason to go into Orange County, you might well become a total stranger in that neighboring area. If you were trying to find a particular business there, you would have exactly the same problem as the traveler in a strange far-away city. This phenomenon is not limited to large metropolitan areas. Most of our mid-size markets, such as Eugene, Oregon, or Richmond, Virginia, draw their trade from several adjacent counties, as well as from the immediate incorporated limits. Many of these people, because of their infrequent trips into the city, arrive there as strangers.

There is yet another phenomenon that makes on-premise signing so important. This is the mobility of our population. Since World War II approximately 20% of the households (or adult population) move their places of residence each year. One-third might move somewhere else in the same city, another third somewhere else in the region, and a third to a different state. Most of these moves are made by young adults, either in or entering their prime buying years. They are of key importance to every business on main street. In every instance they have to find a new bank, a new supermarket, a new service station, and the like. This phenomenon is a part of the dynamics of modern marketing and it also illustrates the problem a local business faces in continually trying to build awareness for itself.

CHAPTER V

Marketing Problems Facing the Small Local Business

In the foregoing chapters, we reported on the value of on-premise signing to the public as mobile shoppers and to the small business owner based upon the results of several surveys specifically designed for this purpose.

We saw—from the consumer's point of view—an overwhelming endorsement of the day to day importance of and reliance upon the on-premise signs in their normal shopping process for particular products and services, both locally and when they were away on a trip in unfamiliar markets. Likewise, we saw a strong endorsement on the part of the small business owner—regardless of the type of trade involved—for the importance of the signing and the belief that signing was vital to maintaining and building the volume of his business.

Now we would like to approach the subject from the small business owner's perspective again—that of his marketing and advertising problems and the solutions available to him. First, let us examine the marketing opportunities and problems of the typical small business owner competing in a local market and then we will discuss the communication or advertising problem required in exploiting his marketing opportunity.

Market Segment

From the marketing point of view, the first fact of life for any small business is that there are always a lot of competitors offering the same kinds of products and services in the area. Even in the smallest markets there may be five or ten businesses offering the same kind of products or services; in large metro areas there may be several hundred direct competitors. Then there are indirect competitors: businesses competing for the same dollar of the consumer with alternative products and services which—from the consumer's point of view—might solve the problem just as well.

In order to survive, the small business should have some superiority in the products or services it wants to sell the consumer in relation to its many competitors. If we assume that a given small business has a viable reason to open its doors—mainly that it can successfully compete with some uniqueness in terms of quality or services rendered or pricing or convenience, etc.—then the first clear-cut problem of that business is to select and concentrate on the most logical market, the consumers who can buy these products or services.

The usual assumption is that the total geographic market in which the business is located should represent the opportunity and the objectives for any business located in that market. In mid-sized and large metropolitan markets this is a serious mistake. The logical market of a given small business is a segment of this larger market.

Identifying specific market segments or targets is standard practice for most of the giant national corporations selling branded products. They have a very clear idea of who can and who cannot logically buy their product. This should apply to the small local businessman as well. As a matter of course, every small local business seeks out the most important key arterial street in a given market that he can find and afford. Location, with respect to the available traffic, is a critically important decision.

Primary Mobile Market

The people in their automobiles passing by the location of a specific business represent the "primary mobile market" for that business location.

The two tables that follow illustrate how the population of that market is computed, and the data illustrates the size of this market for two typical locations—one in a suburb of a metropolitan area and the other in a mid-size American community.

Rarely will a given business in a specific trade enjoy more than a 5% to 10% share of the market of this specific and clearly defined market segment of the entire geographic area. Yet anyone in that traffic stream—because of frequent driving by whether to school, work or for many other reasons—could logically and easily interrupt any of his or her trips and pull into this business location. Conversely, people living in larger markets who do not have occasion to drive by regularly because they live in another section of the metropolitan market are not logical market targets. With this in mind, examine the following two tables. Table XI is for a Los Angeles suburban market, Buena Park in Orange County.

TABLE XI
Population of the Primary Mobile Market for a Location on Beach Boulevard Near La Palma in Buena Park, California (Orange County)

1. Average Daily Traffic Count	44,000 Vehicles
2. Accumulation in 30 days	1,320,000 Vehicles (households)
3. Trip frequency for vehicles passing this location in a 30-day period—in either direction	20 Trips per household
4. Number of different households represented in this traffic stream (the Primary Mobile Market)	66,000 Different households

Notes:
a. ADT information from State of California, Department of Transportation, Division of Traffic Engineering.
b. Conversion of vehicles to households assumes that 2.0 occupants of each vehicle represents an Orange County household.
c. Trip frequency factor is an average taken from 25 origin and destination studies done by the 3M National Advertising Company.

This location is on one of the area's key arterials and is a prime location for small business because it enjoys heavy traffic. In this case it averages 44,000 vehicles per day. In marketing terms, each vehicle carrying 2.0 people represents at least one household—which is then used for the calculation of marketing and advertising values.

Part of this traffic is composed of people local to the area within a range of three to five miles, and part is composed of people who may actually live 20, or more miles away but who have some reason to drive this particular arterial street frequently throughout the month.

The pattern in which Americans use their automobiles is a consistent pattern throughout the United States; it is not related to any specific market. A large number of origin/destination studies determine that, if a given person uses a specific arterial street in a market, this person will make ten round trips per month on the average, or 20 one-way trips in each direction. Therefore, this factor can be used in determining how many different vehicles or households will be represented in that traffic stream over a 30-day period.

This is a conservative computation because it assumes the 2.0 persons per car are from the same household when, for purposes of going to work or shopping, 2.0 people can logically represent two different households. The point of the discussion, however, is that the primary mobile market population for a business at this location totals up to 66,000 different households at least. Put in terms of total people at 2.5 persons per household, this means a total of 165,000 people.

This figure represents the most logical market target for that business, not the 4.2 million households in the total Los Angeles metropolitan area.

As an example of a typical business location in a suburban area of a major metropolitan market, it represents about 40% of the total number of small local businesses in the U.S.

The next greatest concentration would be in the mid-size markets, such as Eugene, Oregon, where an estimated 35% of small business would be located. The data is shown in Table XII.

TABLE XII
Population of the Primary Mobile Market for a Business Location on Coburg Road in Eugene, Oregon

1. Average Daily Traffic Count	46,800 Vehicles
2. Accumulation in 30 days	1,404,000 Vehicles
3. Trip frequency for vehicles passing this location in a 30-day period—in either direction	20 Trips per household
4. Number of different households repre- represented in this traffic stream—Primary Mobile Market	70,200 Different households

Notes:
(1) ADT information from the Oregon State Department of Transportation
(1-2) Conversion of vehicles to households assumes that the 2.0 occupants per vehicle represents a Lane County household.
(4) Trip frequency factor is an average taken from 25 origin and destination studies done by the 3M National Advertising Company Research Department.

Starting with a traffic count of 46,800 vehicles per day, this builds up to a primary mobile market of 70,200 different households, representing in this case about 65% of the total geographic market. The same principle applies in this size market as in the larger market. The most logical target market for a business located on that particular arterial is going to be the people living in that area who have occasion to pass that location several times a month (20 on the average) on their way to work, to shop, etc.

Top-of-the Mind Awareness

Most buying decisions that people make are really quite simple. A need is perceived and that is immediately associated with the name of a specific brand and/or the local business outlet where this can be obtained.

This is known in marketing and advertising as "top-of-the-mind awareness." The major objective of most brand advertisers at the national level is to obtain the greatest "share of mind" possible; to get the public to think of their brand automatically when the need is perceived.

This applies with equal force to the small local businessman and becomes his key objective—to build this awareness in the minds of the mobile market passing by his place of business so that they will begin to think of him when they perceive the need for the type of product or service which he sells.

This awareness is difficult to establish in the minds of people as the next table illustrates. Table XIII is a result of a survey taken in 1977 of the public awareness of stores that sell furniture in the Dallas market. The furniture could be purchased in this market in approximately 230 different places of business. In an area-wide telephone survey, respondents were asked, "When you are going to buy furniture, what store comes to mind first?" After recording that name, the interviewer asked what other stores came to mind. The table shows the scores for the top ten competitors and then groups the remaining 230 stores into two sections. As the table illustrates, most respondents were not aware that the two leading competitors—Levitz and Sears—sell furniture.

TABLE XIII
Dallas Retail Store Awareness Study—230 Furniture Stores

Furniture Store Name	First Recall	2nd-3rd-4th Recall	Total Recall
1. Levitz Furniture	15.2	20.9	36.1
2. Sears	10.5	21.1	31.6
3. Rich Home Furnishing Center	5.6	7.0	12.6
4. Sanger-Harris Dept. Store	5.2	10.8	16.0
5. Gabbert's Furniture and Design Studio	4.5	7.4	11.9
6. Haverty's Furniture	4.5	10.5	15.0
7. Weir's Furniture Co.	4.3	10.3	14.6
8. Freed Furniture Co.	3.6	8.3	11.9
9. Home Furniture	2.9	7.8	10.7
10. Hart Furniture	2.7	5.4	8.1
Top ten recall totals	59.0	109.5	168.5
Average for top ten	5.9	11.0	16.9
Next 77 that were named first	21.9	40.6	62.5
Average for these 77 stores	0.28	0.53	0.81
Next 143 that were named 2nd, 3rd, 4th or not at all	19.1	35.4	54.5
Average for these 143	0.13	0.24	0.37
Total sample of 230 stores	100.0	185.6	285.6
Average for 230 stores	0.43	0.70	1.13

The other eight leaders, either major department stores or leading specialty furniture stores, enjoy an awareness of 10% or less, which means that nine out of ten consumers were not aware that they sell furniture. The real facts of life come to light when you look at the scores of the 220 other smaller competitors who are, for all practical purposes, almost totally unknown as places to buy furniture in this market.

These awareness scores represent what is know as "share of mind" and normally correlate quite closely with the share of market, particularly in the first-named category.

Table XIII clearly illustrates the problem the small business competitor has of making the public associate his name with what he sells and the benefits of doing business there. It also points up the absolute necessity for that small competitor to concentrate on a market segment where he will have the best chance of developing a share of mind with these potential buyers.

Selecting the Advertising Medium

How is he going to develop awareness with this target market? This is where advertising comes in.

In the past, most people dealing with the subject of enacting on-premise sign ordinances have assumed that local print and broadcast advertising are:

1. Totally effective in reaching the entire market of each local business.
2. Equally affordable to every business in that market.
3. Able to put every small business on equal footing with larger competitors.

These assumptions are simply not true. No local print or broadcast medium reaches either the entire market or a segment thereof in a totally effective manner. Furthermore, the cost of using these media vary in terms

of the amount of advertising volume the business can do in a year's time, and in terms of the efficiency in reaching a specific market segment.

Competitors in a given local trade do not all approach the use of print and broadcast media on equal footing. The larger competitors enjoy a number of advantages while the smaller competitors have some real problems in using these media. This in no way belittles local print and broadcast media. For large local types of business—especially those with many outlets in a metropolitan area or mid-size market, these local media are effective and cost efficient.

The problem occurs when a smaller competitor in any of these trades, usually operating with only one unit in the market, concentrates on the entire geographic market and not on a specific market segment, such as his primary mobile market. This is the point of our discussion.

Using the same Buena Park example, Table XIV illustrates how two major area-wide newspapers expose advertising to this specific mobile market versus what an on-premise sign at that location would do. When reading this survey, bear in mind that the way that a business builds awareness for its business name, for what it sells and of its benefits, is through applying as much "advertising weight" as is possible against the target market. Advertising weight is simply a combination of reaching the highest percentage of that market possible the greatest number of times in a given time frame.

TABLE XIV
Table Showing the Relative Advertising Weight Possible Using Two Local Newspapers and an On-Premise Sign for a Business Located in Buena Park, California, on Beach Boulevard

		On-Premise Sign at This Location	Orange County Metro Group Newspaper	Los Angeles Times Daily Newspaper
1. Population of the Primary Mobile Market (households)		66,000	66,000	66,000
2. Effective coverage of the Primary Mobile Market	%	100.0	32.0	24.0
		66,000	21,120	15,840
3. Market *not* covered	%	—	68.0	76.0
		—	44,880	50,160
4. Frequency possible	(A)	20	4	4
	(B)	20	20	20
5. Advertising weight in Gross Rating Points	(A)	2,000	128	96
	(B)	2,000	640	480

Notes:
(1) See Table XI for calculation of this market.
(2) Newspaper circulation and coverage from Standard Rate and Data for the total market and applied to this market segment.
(4-5) Normal business practice is to use the newspaper once per week (A) but the second plan (B) is shown assuming an advertisement was scheduled every day of the week.

Both of the newspapers selected—The Los Angeles Times for the total market, and the Orange County Metro Group Newspaper for Orange County specifically—are powerful and effective advertising media. The circulation is distributed over a wide area and the penetration of that total market is in the range of 24% to 32%—which also means that any given segment of that market is going to have that same penetration, or market reach and exposure.

Signs as Advertising

As Table XIV shows, if a small businessman at this location were to employ these newspapers for the purpose of building awareness for this mobile target, he would be missing from 68% to 76% of the market with his advertising. By contrast, the on-premise sign and any information put on that sign is exposed to 100% of this primary mobile market—by definition.

The second part of the equation is the frequency that is possible and needed to build awareness (which simply means a memory of that business). The newspaper examples used are the daily newspaper. Therefore, it would be possible to use them every day in running advertising, although this is not normally done. Usually local advertisers schedule one advertisement per week in the newspaper if they can afford it .

Nevertheless, the table shows two options—one using the normal once a week schedule versus every day scheduling—and then the amount of advertising weight expressed in gross rating points which would be developed. As noted earlier, the average person passing by this location in a car will do so 20 times per month. This in turn, combined with the 100% market coverage, means 2,000 gross rating points—several times more than is possible in local newspaper advertising.

Keep in mind also that the newspaper circulation expressed as market reach is normally considerably greater than the audience of a given quarter hour broadcast in radio or television.

Major media are important and necessary for national advertisers and the big dominant local competitors who enjoy many outlets in the market, but we are trying to point out the problem of a small competitor. Refer back to the Dallas furniture store example in Table XIII and pretend you are one of those 220 small competitors trying to compete with people who employ a tremendous amount of local print and broadcast advertising. The only effective "strategy" open to you is to make as much use of your on-premise sign for communication as is possible and to use this as your primary communication to build awareness with this well-defined market segment.

This example would be typical of the top 30 or 35 major metropolitan markets and of the small businesses operating in those markets.

But let's also look at a mid-size market—going back again to Eugene, Oregon, and examining what the daily newspaper does with respect to the defined primary mobile market at that location and comparing it to the on-premise sign in developing advertising weight. This is explained in Table XV, following. Here the newspaper reaches approximately 65% of the total market, as well as any individual market segment, and will miss 35% of that market or any market segment.

The Bottom Line

When we get down to the bottom line—in developing advertising weight—the on-premise sign develops an enormous amount of weight compared to the other media, and the critical factor is the exposure done within the entire mobile market.

We are not going to try to develop in this discussion specific cost comparisons because there are so many possible variations, both in terms of the print and broadcast used, as well as in the size and type of the on-premise signing. However, the on-premise signing is going to be only a fraction of the cost of print and broadcast media expressed in cost per thousand—or in the absolute cost of the sign itself.

The on-premise sign becomes the only cost efficient, affordable way for most small competitors in a market to develop the advertising weight they need to build business awareness and an image which will assure them a fair share of the market.

This is what a well-designed and effective on-premise sign can do for a small business.

TABLE XV
Table Showing the Relative Advertising Weight Possible Using the Local Newspaper and On-Premise Sign Located on Coburg Road in Eugene, Oregon

		On-Premise Sign for a Business	Local Daily Newspaper
1. Population of the Primary Mobile Market at this location expressed in households		70,200	70,200
2. Effective coverage of the Primary Mobile Market	%	100.0	64.9
		70,200	45,560
3. Market *not* covered	%	—	35.1
		—	24,640
4. Frequency possible	(A)	20	4
	(B)	20	20
5. Advertising weight possible expressed in Gross Rating Points	(A)	2,000	260
	(B)	2,000	1,298

Notes:
(1) See Table XII for computation of this market segment.
(2) Newspaper circulation and coverage per Standard Rate and Data for total market, and applied to this market.
(4) Normal business practice is to use the newspaper once per week (A), but the second plan (B) is shown assuming that an advertisement is scheduled every day.

Conclusion

From the perspective of the typical business owner, the on-premise sign is unquestionably the most vital communication link between that business and its current and potential customers. This conclusion is supported by the facts and statements made by the shopping public and business owners alike in the several opinion surveys noted earlier, and in numerous other similar proprietary studies.

When there are valid and significant reasons for a community and its officials to consider the subject of sign ordinances, everyone concerned should be fully aware of the economic implications of restricting such signage. When there is insufficient data available to indicate the need for regulation of on-premise signage, great care should be taken because the economic health of the community and its businesses are directly involved. The general public may also be adversely affected and they, after all, are what advertising, ordinances and even cities are all about—people, and what's best for them.

APPENDIX

How the Surveys Were Conducted

The four public opinion studies were conducted in 1974 and 1975 in Naperville, Illinois, Corpus Christi, Texas, Palo Alto, California, and Lubbock, Texas.

A total of 1,841 telephone interviews were used, plus 636 cases where the respondent completed the same questionnaire as a part of a focus group under the direction of a Research Supervisor.

Simultaneously, 283 small business owners were interviewed at their places of business, gathering information about their types of signs, use of same, and attitudes toward the importance of their sign in developing business.

In studying public use and attitude, the respondent first answered questions about signs in general for a specific type of business—such as a service station or a motel or a furniture store, etc.—and these results have been reported.

Perhaps of greater importance, the 2,477 respondents in the four surveys were asked questions about a total of 37 individual on-premise signs in their market. The composite recall of 37 different signs is 66.0%, with the respondents saying that 76.8% of these were useful to them in shopping and 82.2% approving their appearance as is.

The subject was approached from two totally different viewpoints—the importance of a sign in looking for a particular kind of product or service; and then from the viewpoint of a particular identified sign and working backwards to its importance.

References are made in this study to other proprietary and industry surveys. While managing the National Research Service, the author, over a 10 year period ending in 1979, conducted more than 500 research studies and surveys for national advertisers to determine the most efficient ways to utilize their signs. These studies are, of necessity, confidential and proprietary but the results and conclusions are so noted.

Tables I through X are based upon the four public opinion surveys noted above. Tables XI, XII, XIV, and XV contain footnotes which identify the sources of information. Table XIII is representative of one of the proprietary studies explained above.

About the Author

Raymond T. Anderson graduated from the University of Iowa. He then spent 18 years with major firms, working in sales, marketing and advertising positions. Following that, he joined the 3M Company and helped to develop their National Advertising Company subsidiary. During the period from 1968 to 1979 his efforts were directed to developing and implementing 3M's National Research Service which specialized in advertising surveys for its diversified clients.

Since his retirement from 3M in 1979, he continues to conduct research and advertising studies in the sign industry as head of his own consulting firm.

During his career, the author has designed and conducted more than 500 research studies for applications relating to signs and advertising.

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