

## Economic Impact

### Message Points

- Most outdoor advertising promotes local goods and services
- Small business relies on outdoor advertising to communicate with customers
- Advertisers who rely on outdoor advertising say they'd lose significant revenue without billboards
- Small business is the job engine of the economy



### Background

Small business depends on outdoor advertising to direct customers to business locations and to drive sales. Many of these businesses do not have affordable, effective alternatives to outdoor advertising.

Three out of four businesses using billboards say they'd lose sales if they lost their billboards. Of those who expected losses, they estimated decreased sales of 18%, according to a survey conducted by Villanova Marketing Professor Charles R. Taylor.

The top OOH advertisers are 65 percent local and 35 percent national (businesses and services.) One of the hallmarks of the OOH client base is a broad range of customers

Four out five of these local businesses are considered "Small and Medium Sized Enterprises" (SMEs), with fewer than 50 employees. The typical business relying on billboard advertising employs 35 workers.

Nationwide, more than 300,000 unique local businesses use billboard advertising; these local businesses employ more than 9 million people. While billboard companies directly employ approximately 17,744 workers.

## Top Types of Billboard Advertisers by category in 2018

1. Miscellaneous Local Services & Amusements
2. Retail
3. Media & Advertising
4. Restaurants
5. Public Transportation, Hotels & Resorts
6. Financial
7. Government, Politics & Organizations
8. Insurance & Real Estate
9. Schools, Camps & Seminars
10. Automotive Dealers & Services

These key segments of the local economy are part of the broad “voice” for outdoor advertising, and form coalitions at the local, state, and national level.

The link between travel/tourism and outdoor advertising is strong. One-third of outdoor ads support the travel/tourism industry, a top employer in most states. Travel-generated employment equals 7.5 million jobs in America, according to the U.S. Travel Association.

Plus, tens of thousands of landowners benefit from lease payments for billboards located on their property, helping pay property taxes, mortgages, and living expenses. A comprehensive analysis of land parcels in Hillsborough County, FL (Tampa) showed billboards enhance property values.

## Resources

“The Importance of the Availability of Billboards to Rural Business,” Charles R. Taylor, Professor of Marketing, Villanova University; testimony to the U.S. House Small Business Subcommittee on Rural Enterprise, Agriculture and Technology, May 15, 2003

Crews, Carl, Field Marketing Manager, Bob Evans Farms, Inc, letter to OAAA regarding impact of lost billboards, September 27, 2002

“The Economics of Outdoor Advertising in Local and State Economies,” iMapData, Inc., Washington, DC, 2001

## **Congressional testimony of Charles R. Taylor, Professor of Marketing, Villanova University, “The Importance of the Availability of Billboards to Rural Business” (House Small Business Subcommittee on Rural Enterprise, Agriculture and Technology, May 15, 2003)**

Chairman Graves, distinguished members of the Committee, thank you for inviting me to testify today. Over the past fourteen years I have conducted research on outdoor advertising, its regulation, and its impact on businesses. Today, as you requested, I will provide you with an overview of how small businesses use billboards, along with an assessment of the economic impact of billboards on small businesses, particularly those in rural areas. I will also offer my views on the potential impacts on businesses in rural areas not having access to billboards.

### **The Importance of the Availability of Billboards to Rural Businesses**

Billboards are a medium that serves a disproportionately large number of small businesses, most of which are local retail and service businesses. Due to the effectiveness of billboards allowing businesses to communicate directions and other types of information to potential consumers at a reasonable cost, they are especially important to small businesses located in rural areas. In the remainder of this testimony, I will detail the reasons why billboards are so important to small businesses, especially those in rural areas. In addition, I will provide my thoughts about billboards and how they are used by businesses.

### **In rural areas, billboards predominately serve small, local businesses**

A large-scale study of three rural towns conducted in 1995 showed conclusively that a majority of billboards in small town America serve small local businesses (Lilley and DeFranco 1995). Fully 90 percent of the billboards in the study contained advertising for locally owned businesses, and almost all of these (more than 96%) were for small businesses. Content analysis studies (Taylor and Taylor 1994; Taylor 1997) verify that a large majority of billboard advertisers in rural areas are small, locally owned businesses. Thus, when we talk about billboards in rural areas, we are talking about an advertising medium that is dominated by small local businesses.

### **Billboards provide bottom line value to many small businesses**

Access to billboards is vitally important to the ability of many small, local businesses to compete and stay in business. For small businesses in general, billboards are a low-cost medium that is especially effective in providing high reach and frequency in a localized trade area. Here, reach is defined as the number of people in the target audience exposed to the message, while frequency refers to the average number of times a member of the target audience is exposed to the message. For businesses that serve local areas or draw their business from motorists passing through an area, billboards allow large numbers of potential patrons to be exposed to the message at a reasonable cost. As I will discuss in more detail, for many businesses in rural areas, billboards may be the only viable media alternative.

In a recent national survey of billboards that I conducted, the importance of billboards to businesses, and especially to small businesses was very evident (Taylor, 2001; Taylor and Franke 2003). The findings of this large-scale sample of billboard users indicate that 82.2% of small businesses that use billboards would lose sales if they did not have access to billboards. The average predicted loss of sales was over 18% (Taylor 2001). Notably, a large majority of businesses in the travel-related retail category that consisted of hotels/motels, resorts, restaurants, gas stations and other businesses that rely on travelers predicted an average loss of 20%.

My national survey findings are also supported by follow-up analyses of samples from Texas and Missouri. In Texas, 81.5% of all billboard users (both large and small combined) reported that they would lose sales if billboards were banned, with an average estimated revenue loss of over 20%. In Missouri, 78% of billboard users as a whole indicated that they would lose sales, with an average loss of sales of 18%. In both states, an even higher proportion of small businesses indicated that they would lose sales if billboards were banned. Given the high average level of losses reported, it is clear that many small businesses need their billboards in order to survive, as many businesses do not have margins of more than 18%.

### **Small Businesses Use Billboards to Provide Information to Consumers**

For small businesses, the most common purpose of billboard advertising is to provide directional information to a place of business for passersby. A 1994 content analysis study of Michigan billboards that I conducted showed that nearly three quarters (73%) of billboards contain directional information to a place of business (e.g., “7 miles ahead; “turn left at light”). An even higher proportion of billboards located in rural areas contained directional information. In the same study, it was shown that 74.2% of billboards in rural areas provide information that is potentially useful to tourists (Taylor 1994).

In addition to directions, billboards are used to communicate a wide variety of other types of information to consumers, such as types of products and services offered, indications of quality, and information on price, convenience, etc. These types of information help the business to distinguish itself in a way that appeals to the consumer. The ability to communicate information to the consumer on the product or service offering is essential to small businesses in attracting consumers and billboards often provide the only cost effective option in rural areas for reasons that I will now discuss.

### **Motorist Information Panels on Highway Right of Ways are Not an Adequate Alternative to Billboards**

My content analysis study of Michigan billboards found that billboards in rural areas tend to provide more information to consumers and that billboards for companies in the travel-related retail category (e.g., hotels, resorts, attractions, restaurants, gas stations) contain more different types of information than do other product categories (Taylor and Taylor 1994). The need for small businesses in rural areas to

communicate directional information as well as other types of information to consumers is clear. While motorist information panels can be designed to provide limited directional information, the size of these panels generally makes them ineffective in communicating such information.

In terms of other types of information, state-owned motorist information panels are completely inadequate for getting the message across to the consumer. For example, a business wanting to communicate the quality of its product offering might include cues such as “AAA approved,” “AARP,” or “100% beef” on a billboard, something it cannot do on a motorist information panel. Another example would be providing information on convenience of the product or service, such as “Open 24 hours,” “Open Sunday” or “Open 7 days.” It may also be critical for some businesses to provide more nuanced information on their product or service offering such as a combination gas station and mini-mart stating that it offers “soda and sandwiches” has handicapped accessible facilities (indicated by a symbol), or has a “Car Wash.” Since motorist information panels do not allow these types of information to be communicated, they are not a viable substitute for billboards as they only provide identification information. For many stores or other businesses in hard to find locations, these panels cannot even provide adequate directional information.

### **Other Media and On-Premise Signs are Also Not Adequate Substitutes for Billboards**

It has sometimes been argued by critics of billboards that businesses have readily available alternatives. My research indicates that this is simply not the case, and that small businesses know it. When surveyed, billboard users in general, and small businesses in particular, do not rate other media such as television, radio, newspapers, magazines, flyers, or the internet as substitutes for billboards. They also do not view on-premise signs as acceptable substitutes for billboards.

There are clear reasons why other media are not good substitutes for billboards. Traditional mass media such as newspapers, radio and television are much more expensive than billboards, both in raw dollars and in terms of cost per thousand exposures. These media are associated with higher waste circulation, meaning that many people who are exposed to the ad are not potential customers. Flyers are also an inadequate alternative to billboards in that they are associated with lower attention level, are ineffective in reaching those passing through an area (as are television, radio, and newspapers) and are also normally more expensive than billboards. In fact, commonly available media planning measures consistently show that billboards are the lowest cost medium on a cost per thousand exposures basis, both in general and for businesses that serve local trade areas. The internet is also largely ineffective for local retail and service businesses as the internet by its nature is an international medium. Finally, on-premise signs are generally not good substitutes for billboards as their primary function is to identify the business at its site and not to communicate directions from other locations or other types of advertising messages.

While it is generally true that small businesses do not see other media as being able to replace billboards, in rural areas it is obvious that there are not good alternatives. The use of mass media in these contexts is a waste of money, and other local media often do not exist. Even if local media do exist, they normally do not reach a sufficient number of people in the target market. Hence, many small businesses in rural areas that do not have access to billboards are put at a distinct disadvantage.

### **There Are Additional Reasons Why Billboards are Valuable to Small Rural Businesses**

Some additional findings from my 2001 survey of billboard uses shed light on why small businesses believe billboards are valuable. Small businesses rate billboards higher than other advertising media on several dimensions. When asked about various media in terms of their ability to allow the business to communicate information at a price the company can afford, billboards were rated higher than other media (local and national television, local and regional newspapers, radio, magazines, flyers, and the internet) by a wide margin. Similarly, the small businesses rated billboards substantially higher than all other advertising media in terms of both their ability to bring customers and to increase sales. Notably, small businesses also rated billboards high in terms of their ability to reach the company's trade area. Thus, it is clear that many small businesses understand that billboards are an advertising medium that provides them with unique benefits. To summarize, small businesses see billboards as an affordable medium that allows them to communicate information to potential customers and is effective at bringing in business because it helps customers.

### **A Large Majority of the Public Understands the Benefits of Billboards**

Critics of the billboard industry have sometimes argued that billboards should be more heavily regulated because many in the public are opposed to them. In fact, a recent analysis of 24 major studies of public opinion conducted over the last 30 years shows that a large majority of the American public understands the benefits of billboards (Taylor 2003). In fact, 85% of Americans believe billboards are useful to travelers, 82% agree that billboards help business to attract customers, and 80% believe that billboards create jobs. Conversely, only a minority of the public (21%) favors bans on billboards. Hence, it is fair to say that the public is not opposed to billboards, especially when they are being used by businesses to communicate useful information to consumers. Therefore, it is likely that most of the public would not be opposed to some billboards being erected in lawful locations in rural areas.

### **Conclusion**

Many rural businesses need access to billboards to be able to attract customers and compete. Any situation in which billboards are removed from rural areas when they were previously being used by small local businesses is very likely to be harmful to those businesses. In fact, lack of access to billboards would threaten the very existence if numerous businesses in rural areas. Moreover, lack of access to

billboards in rural areas stunts the possibility of new retail and service businesses being created. For these reasons, I believe that it is important for Congress to ensure that small businesses in rural areas that need access to billboards get such access.



September 27, 2002

OAAA  
Kenneth Klein  
1850 M Street, N.W.  
Suite 1040  
Washington, D.C. 20036

RE: Billboards

Dear Mr. Klein:

Bob Evans Farms, Inc. owns and operates 500 full service family restaurants in 22 states. Nearly 80% of these restaurants are located on Interstate or major US Highways and consequently require outdoor directional advertising.

Our use of outdoor billboards for nearly 40 years has confirmed the importance and cost effectiveness of this advertising medium. Billboards drive sales and generate customer awareness. Specifically they identify each restaurant location to the traveling customer. We know they work because we put each billboard to a scrutinizing evaluation each year. In some cases we test the billboards effectiveness by temporarily covering the advertising copy. The result being an immediate loss of at least 10% in sales. In other cases we have lost billboards due to storms or highway construction and have suffered a loss in sales until a replacement board could be found.

Bob Evans Farms, Inc. has a workforce of more than 40,000 employees and continues to grow. We have for the past several years been adding 30 new restaurants per year. Over the 40+ years that we have been in business we have had to close a few restaurants due to performance. It has never been easy telling employees the bad news. In terms of sales, profit and the future growth of our company we need the effectiveness of outdoor billboards.

In conclusion, the most compelling truth about the need for billboards is to have our traveling customers call us and tell us we need them. Our response has been immediate and fortunate. do hope that billboards will continue to be viable.

Sincerely,

Carl Crews  
Field Marketing Manager  
BOB EVANS FARMS, INC.

CC/SM



## **“The Economics of Outdoor Advertising in Local and State Economies,” iMapData, Inc., Washington, DC, 2001**

Economic analyses consistently show that most outdoor advertisements are for local businesses, and that those businesses employ a significant percentage of the local workforce. For example, more than 1,000 local businesses use billboards in San Antonio: those companies employ nearly 45,000 workers.

Studies conducted by iMapData Research, Inc. compiled these specific findings:

### i.) Buffalo, NY

- 79 percent of billboard ads in Buffalo are for local businesses;
- 76 percent of local advertisers are small businesses that cannot afford other forms of advertising;
- 377 local businesses using billboard ads employ 16,080 workers in the Buffalo area (Erie and Niagara counties).

### ii.) State of Delaware

- 79 percent of billboard ads in Delaware are for local businesses;
- 83 percent of local advertisers are small businesses that cannot afford other forms of advertising;
- 595 local businesses using billboard ads employ 22,120 workers in state.

### iii.) San Antonio, TX

- 74 percent of the billboard ads in San Antonio are for local businesses;
- 79 percent of local advertisers are small businesses that cannot afford other forms of advertising;
- 1,064 local businesses using billboard ads employ 44,956 workers in San Antonio.

### iv.) San Francisco, CA

- 70 percent of the billboard ads in San Francisco are for local businesses;
- 84 percent of local advertisers are small businesses that cannot afford other forms of advertising;
- 334 local businesses using billboard ads employ 16,926 workers in San Francisco.

### v.) Tampa, FL

- 74 percent of the billboard ads in Tampa are for local businesses;
- 79 percent of local advertisers are small businesses that cannot afford other forms of advertising;
- 911 local businesses using billboard ads employ 39,092 workers in Tampa.