The Importance and Effectiveness of Signage

Source: What's Your Signage?: *How On-Premise Signs Help Small Businesses Tap Into a Hidden Profit Center*

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"My customers know where I am."

"I already have a sign – why do I need a new one?"

"Does a sign really make a big difference in sales?"

These responses are typical of business owners when the idea of a new on-premise sign is proposed. Signs are so common in our society that their importance can be taken for granted. As a business owner, you naturally spend a great deal of time where your business is located. You've walked in and out of your location so many times, with so many other business details on your mind that things like your signage tend to blend into the background. As a result, you might forget that it's there.

Catering to a Mobile Society

People in the United States pride themselves on their freedom to be mobile. Drivers in the U.S. drove over 1.6 billion miles in 2001 (see chart).

Automobile Travel Statistics (2001): Passenger car & motorcycle vehicle miles traveled

Rural	607,077,000
Urban Interstate	235,944,000
Other Urban	785,930,000
TOTAL	1,628,951,000

U.S. Department of Transportation, 2002.1

In addition, our economy is a sophisticated, consumer-driven mechanism where billions of dollars are exchanged annually. A significant percentage of these transactions occur in the retail and service sectors, where businesses rely heavily on their on-premise signage.

Type of Road Total Miles

Because of continued reliance on the automobile, it is estimated that 35 to 50% of the consumer population shops outside its local area (defined as a 5- or 10-mile radius from a given residential zone). Large segments of the American retail and service economy now serve as "points of distribution," where many customers – on any given day – visit a business for the first, and sometimes the only, time. In order to attract this large pool of potential customers, a clear and legible sign for your business is a must. If your sign lacks visibility, then it is likely that a consumer may forget your business exists, if it was noticed at all. Do all of your potential customers *really* know where you are?

Each March, the U.S. Census Bureau conducts what it calls the Current Population Survey. Among the questions in this survey is one that determines how many citizens have moved their residence in the past 12 months. Historically, this survey finds that anywhere between 13% to 20% of the population moves during a given year. The Census also reports that between 1995 and 2000, *close to half* of people over age 5 moved to a new address. Your community is constantly changing. Where would your business be if your regulars were among the people leaving the area? And do those who take their place know where to find you?

A mobile customer is generally someone in a hurry. Several years ago, Burger King conducted a survey over a period of a few months. It was done as a means of generating proof to present as evidence in a legal action in California to prevent their freeway signs from being removed. The surveys were held at quick-service, family, and atmosphere restaurants. Participants were asked how they first became aware of the restaurant. Here are their results:

Participants' Quick Service Family Atmosphere

Responses	% of Responses	% of Responses	% of Responses
Saw it while passing	35%	26%	13%
Always knew	29%	27%	19%
Word of mouth	14%	30%	54%
Advertising	10%	6%	4%
All other	6%	7%	7%
Don't know	6%	7%	7%

What does all of this mean? The row titled "Saw it while passing" represents those mobile customers who stopped on an impulse. It demonstrates the importance of knowing that potential consumers – those whom you think know where you are – are constantly coming and going. You are constantly in need of replenishing your customer base. An effective sign does just that. It announces your presence, **especially** to those who are new to an area, and who are looking for a reliable provider of your product or service.

Recently, we asked Perry Powell, a Texas-based signage consultant to the car wash industry, what mistakes he commonly sees committed by his clients. "There's a mentality among small business owners – though not chains – when money is committed to building in a new location," he says. "They allot *x* amount of dollars in their budget to a line item called 'signs'. If a cost overrun occurs during construction – and those are not uncommon – then the sign budget is the first thing that gets cut." The reverse of this thinking exists within certain large consumer-oriented corporations, who have studied the science of signage like few others.

McDonald's is one such company. They recognize that the unique signage presentation at each of their locations helps emphasize in the minds of consumers one of the most valuable brands in all of business. To reinforce this branding, it helps that the very first thing they install at a new location **– *even before they break ground* –** is a sign. McDonald's spends about $40,000 on signage per location. Assuredly, there are few small businesses that can afford that. But trimming the signage budget in the here-and-now, while providing short-term savings, will have long-term consequences.

Think of it. There are thousands of people who've never been to your door. The sign on your premises is your handshake with the public, and that handshake is the first impression being made on potential customers. Often, people judge the quality of your business on that first impression. What is your sign saying to them? Is it a blur of crowded text and graphics, illegible to drivers as they motor past your store? Does it readily and effectively tell passersby what you offer, or does it make sense only to you and your employees? Is your sign illuminated effectively? Is it being regularly maintained? What role is it playing in your business?

Ideally, it should perform at least these three functions:

- **A**ttract new customers
- **B**rand your site in the minds of consumers
- **C**reate "impulse" sales

Attracting New Customers

Commercial advertising can briefly be described as an organized and measurable communication system designed to promote a product or a service. On-premise signage is but one method among many available to a business. Different types of small businesses require different marketing and advertising strategies. Given the expense, most small businesses cannot afford the major media advertising campaigns typically waged by large corporations. However, your on-premise sign is an economical way to display and reinforce your message. You pay for your sign once, and it works for you 24 hours a day, 7 days a week. On-premise signage has been proven to attract customers, and has also been shown to have significant economic impact.

Signtronix Study

Since 1997, the sign company Signtronix has sponsored a survey initiated by several independent small businesses in its community. Each business had a sign that had been installed in the previous 30 to 45 days. They then asked a random sampling of first-time customers a series of questions, including "How did you learn about us?" Among other things, the survey revealed that **nearly half of these customers learned about the business because of its sign.**

University of San Diego Study

Another study of on-premise signs was conducted in 1995 by the University of San Diego on behalf of the California Electric Sign Association and the International Sign Association. Part of the study analyzed the effect of certain variables, including signage, on southern California locations of a major fast-food chain. They found that, on average, the addition of even **one** on-premise sign resulted in an increase in annual sales of 4.75%.

Today's small businesses have many ways to reach potential consumers with their message: network television, cable television, satellite television, the Internet, direct mail, radio, sports and event sponsorships, outdoor advertising, newspaper and magazine advertising, licensed merchandise, telemarketing – the list goes on and on. However, it is signage that can most effectively and affordably help a business tie its other forms of advertising together, and communicate to its target audience (those actually moving through its trade area).

In fact, without a sign to identify a business location, the money spent on other media is largely wasted.

Branding Your Business

On-premise signs are a form of commercial advertising. Sometimes, it is the only indication of a business' location. Among retail businesses, it is the most ubiquitous of all advertising options. When designed effectively, a sign can combine with other media to help "brand" your business in the mind of a consumer. If your company has a trademark or a logo, it should appear alongside your business' name. Text and images on the sign should be repeated throughout your marketing mix, either when advertising through another medium (television, radio, the Yellow Pages, and so on) or within your organization (stationery, catalogs, business cards, annual reports, uniforms, vehicles, etc.). The more consistently your message is displayed, the greater the likelihood that potential consumers will remember who you are, and what you're selling. (Before we continue . . . what does it mean for a sign to be "designed effectively"? Signage professionals have identified three main guidelines: 1. It must be of sufficient size and height, and not be hidden or obscured by intervening traffic or other visual objects in the consumer's line of vision (power lines, streetlights, etc.). 2. It must display content (text and/or images) that is legible. 3. It must stand out from its background. In other words, a sign should possess optimum **visibility, readability,** and **conspicuity.**)

If your business is part of a national franchise or chain, then you have the distinct advantage of benefiting from major media advertising. It's one of the reasons why many business owners buy into franchises with proven track records. Franchisors such as Burger King or Meineke Car Care Centers are extremely conscious of the role played by signage at their individual locations. These companies emphasize the repetition of an identical image at various places in the store, and also combine such imagery with national television media campaigns. This powerful psychological tool is applied to help increase a consumer's **recall** (how well a message is remembered within a short period of time) and **recognition** (how quickly a message is correctly identified) of their brands.

However, even if your business isn't part of a national franchise or chain, the right sign can still brand your company within your local economy. If your company image is accurately conveyed via text and/or graphics in your signage, and is reinforced throughout your organization, your business can develop **"top-of-the-mind" awareness** of your product or service in all who routinely pass by your location. If a consumer in your area was asked which business comes to mind in your industry, how likely would that person think of your company?

Creating Impulse Sales

Today's consumer tends to purchase goods and services both by habit and by impulse. However, studies have shown that the majority of sales come from impulse buying.

For instance, recent research from the University of California at Berkeley (which analyzed 30,000 purchases of 4,200 customers in 14 cities) found that 68% of purchases were unplanned during major shopping trips and 54% on smaller shopping trips.

To take advantage of such a consumer, your business will need an effective sign to attract their attention. Earlier, we discussed the merits of using signs in combination with other marketing efforts to help "brand" your business in the minds of consumers. This is a long-term strategy, meant ultimately to create habitual visitors to your business. Signs, though, can also be helpful in attracting impulse buyers – those consumers who may not have originally intended to visit your store.

The Institute of Transportation Engineers (ITE) does a great deal of analysis on traffic habits. One of their studies attempts to estimate how selected business types (or what the ITE calls "business land uses") are affected by motorists' impulse stops (or, to use ITE terminology again, "pass-by trips").

Impulse Stop Percentages

Business Land Use	Impulse-Stop %
Service Station	45%
Convenience Market	40%
Fast Food Restaurant	40%
Shopping Centers	
- Smaller than 100,000 sq. ft.	35%
- 100,000 – 400,000 sq. ft.	25%
- Larger than 400,000 sq. ft.	20%
Discount Club/Warehouse Store	20%
Supermarket	20%
Sit Down Restaurant	15%

From: Claus, J. and Claus, S., 2001.2

As the accompanying table demonstrates, the percentage of impulse stops varies by business type. While the table doesn't show every possible business type, it is clear that impulse trade is very important to many businesses. And because the stops are not planned, it is unlikely that drivers would stop without an effective sign to guide them. The goal of any business is to attract the attention of potential customers, and its sign plays a role in convincing that potential customer to stop. Signage is often the only visible clue that a business exists.

A number of surveys have been conducted over the years indicating how a sign can help you **a**ttract new business, and to **b**rand your company's image into the mind of the consumer, and how, if designed effectively, it can **c**reate in a buyer the impulse to stop and buy. But how do these ***ABCs*** translate, exactly, into sales – the lifeblood of a business? And if there is a sales increase, is it worth the costs behind designing and installing the sign in the first place?

Cost Effectiveness of Signage

Earlier we mentioned that on-premise signage should be considered part of your overall advertising theme – TV and radio spots, a Web site, Internet advertising, newspaper or magazine ads, and so on. Like any advertising medium, the value of a sign to your business depends on its ability to effectively communicate its message to prospective customers. To make money, you'll have to spend money – especially on advertising.

The advertising industry traditionally relies on four measures to assess the effectiveness of the money spent on an advertisement. These methods are: • Reach • Readership • Frequency • Cost per thousand exposures.

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

2. Readership: Determining readership is a way of learning whether or not your sign is successfully branding its intended message in the mind of consumers. Can someone who sees your sign **recall** its message hours or days after having seen it? When viewed, is there **recognition** of your product or service in the mind of that person? As a means of testing recall and recognition, larger businesses can afford the help offered by ratings service companies to measure the results of an advertising campaign. For example, Nielsen Media Research is relied upon for such assistance by those who advertise heavily on television or radio. Small business owners who operate a store in a large franchise or chain operation have access to such readership tabulations. Small businesses that operate independently, however, do not. The services of a local market researcher or a trade association for your industry can help independents measure readership.

Since 1997, a California sign company has helped 488 independent small businesses measure readership. Each of the businesses surveyed 15 to 30 first-time customers to determine what prompted their visit. In all, the businesses surveyed 7,203 first-time customers, each within 30 to 45 days after the installation of a new sign. One of the survey questions was, **"How did you learn about us?"**

Here's how they responded:

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

Signtronix Survey, 2003.

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

3. Frequency: This measurement calculates the number of times a viewer, reader, or listener is exposed to the advertiser's message. For example, a newspaper can estimate the number of people exposed to an ad based on the number of newspapers delivered or sold. Frequency measures are harder to determine for sign owners – particularly those who own on-premise signs. Many drivers pass by your site. Some see your sign only once, while others – who might live or work nearby – see your sign regularly. Traffic counts (which are discussed in detail in Chapter 5) identify the number of vehicles that travel a particular stretch of road. However, it is certain those drivers (and their passengers) don't all see your sign. Because of this, traffic count figures obtained from government sources should be factored into your calculations rather than used as printed.

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

Calculating comparable costs per 1,000 exposures for advertising media relies on frequency measure. Once a frequency figure is obtained, then the total out-of-pocket cost for the medium – in our case, the sign – is divided by the number of exposures occurring during a defined time period. ***Based on this measure, signs are usually considered to be the least expensive form of advertising.***

For example, imagine that you have a set amount – say, $16,500 – to spend on advertising. You've narrowed down your options to four: TV, newspaper, outdoor advertising (a/k/a billboards), or an on premise sign. You've done your research, and learned that for $16,500, each option is capable of reaching a different number of people (or "trade area," to use the clinical term). How efficient, though, would the exposures be over a 30-day period? And how would they compare to one another? Below is a table that answers that question:

TYPICAL COST PER 1000 CONSUMER EXPOSURES COMPARISON

Assumptions	Television	Newspaper	Outdoor Advertising	On-Premise Sign
Trade Area	40,000 Households	Circulation of 40,000 Households	333,350 cars per day	30,000 cars per day
Consumer Exposures (over a 30-day period)	1.2 million	4.75 million	10 million	900,000
Consumer Exposures in Thousands	1,250	4,750	10,000	900
Cost per Month	$16,500	$16,500	$16,500	$115
Cost per 1000 Exposures (Cost/Exposures)	$13.20	$3.47	$1.65	$0.13

Some explanation is necessary:

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

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

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

• The actual cost of your on-premise sign will vary greatly, depending on several factors: size, the materials used in construction, the sophistication of the text or graphics, the region of the country, etc. The $16,500 figure used above is for demonstration purposes, and isn't meant to imply that this is what you'll actually spend. From the above media cost evaluations, one can quickly note that the on-premise sign provides exposure of its message to a large pool of potential customers at a **fraction of the cost of other media.** Here's how you can calculate a cost per thousand exposures for your own sign:

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

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

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

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

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

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

7. Divide #3 by #6 to determine your cost per thousand exposures. Look at your cost per thousand exposures. Determine how much advertising you would need to purchase in other media to obtain the same number of effective consumer exposures. Is there a more affordable advertising option than on-premise signage for *your* business?

Impact of Signage on Profitability

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

In 1997, the California Electric Sign Association and the International Sign Association published the results of a survey commissioned from the University of California – San Diego. The survey was a two-part study of on-premise signage performance. Part I of the study measured the impact of several variables (including signage, location, hours of operation, population density, and geographic characteristics) on sales at each of 162 southern California locations of a fast-food chain. The results of Part I showed that the number of signs at a particular site had a significant and positive impact on both annual sales and the number of annual customer transactions.

Noteworthy findings from the 1997 CESA study include:

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

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

3. On average, one additional 36-square-foot wall sign **added $0.06 per transaction,** while one additional 144-square-foot pole sign **added $0.78 per transaction.**

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

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

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

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

It is not uncommon for annual sales at a typical Pier 1 store to be around $1 million. Businesses of this size in the retail furniture industry show a typical profit margin to be 1.2%, while those in the retail gift industry average 3.8%. Consider, then, the **additional** impact on profitability that signs added to the performance of Pier 1 stores. To grow and run a successful business, you need to have effective signage, as the following case studies demonstrate.

Case Studies

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

• In the story of Frenchy's Bistro, customers at one time referred to the restaurant as the one "near the paint store," since that store had a more noticeable sign. Frenchy's sign – a small, one-dimensional sign that was flat against the façade of the building – was hardly visible to the street. Only residents familiar with the area frequented the restaurant. When revenues had stagnated, a friend of the owners suggested a new sign. The installation of a new V-shaped, internally illuminated sign **increased gross annual revenues by 16%** during the first year. In the second year, **revenues increased another 32%.** Frenchy's later expanded into the shop next door and added an even larger sign. In four years, as a result of the restaurant expansion and signage improvement, **gross income increased 322%** to over $823,000.

The data and research in this handbook have demonstrated that the on-premise sign is the most efficient, most cost effective form of advertising available to a small business. In its most basic form, it has been shown to be responsible for bringing in as many as half of all new customers. When it is designed as part of an overall site motif, and tied in with other forms of advertising, its benefits to the bottom line can be even more substantial. The sign tells everyone who see it that they are welcome to come inside and conduct a business transaction. Not only does your signage work for your business 24 hours per day, 7 days per week, but also, a sign is an investment asset that you own, you control, you can finance, and adds value to your business and property.