



Creative **Outdoor** Advertising

Monday, August 13th, 2007

Mr. Donald Gordon
 York Region Transit
 50 High Tech Road, 5th Floor
 Richmond Hill, Ontario L4B 4N7

Dear Mr. Gordon,

I'd like to thank you for the opportunity to discuss the Street Furniture Program for York Region. As suggested, I am following up our conversations with a summary of some of the elements that were discussed.

Differing Advertising Markets

Advertising, like many industries has its "niche" markets. Individual firms target specific industry segments and the most successful firms will focus on the one industry segment that they know best.

Street Furniture advertising is no different. Firms tend to specialize in either "national" or "local" advertising sales, and the two surprisingly don't overlap at all. Clients that use the "local" format such as the benches and recycling containers, do not use shelters, and vice versa. Generally, it is considered that firms, as they grow, will graduate from the smaller unlit, 1.5 meter face on a recycling container to an illuminated 2.8 meter face found on the shelters.

Firms like COA, who sell to the "local" market, do not sell to the national market, and again vice versa. Advertising Sales Companies have to be specifically set up to sell certain ad formats.

Generally,

The advertisers that use the larger lit shelter format,

- buy "GRP" or Gross Rating Points,
- know all about the science of advertising,
- buy empirically proven exposures in 4 week "flights",
- pay by invoice,
- offer an average transaction size of several thousand dollars, and
- buy through advertising agencies.

The advertisers that use the smaller bin face,

- buy specific sites,
- pay by credit card or auto debit,
- stay a long time at "their" location,
- require "personal" sales attention,
- know nothing about the "science" of advertising such as "reach, frequency, and exposure",
- offer an average transaction size of \$225,
- and about 30% of their instruments of payment are problematic each month.

Obviously handling each of these “client bases” requires very different company structures, policies, and people. This is why firms tend to specialize in their market niche. Although there are firms that try to handle both markets, these firms tend to be good in one discipline, and perform poorly in the other. Usually these firms have been driven to manage both formats by an insistent municipal government.

Opportunities for Local Government

Each of these market sectors offers three monetary incentives to municipal government; capital investment, capital maintenance, and an ongoing share of the revenues.

Municipalities try to achieve the design harmonization by forcing either one company, or a consortium of firms to bid on an aesthetically consistent program. Unfortunately, the companies bidding can only offer a municipality returns based on the market segment they know. Generally the shelter firms will bid on “complete” programs, but in their calculations they will assume little or no sales revenue from the “local” format.

To compound the cost to the city, the bids the shelter firms submit will actually be lower than they might otherwise be, because the capital to provide the recycling bins and seating units will force a reduction to the ongoing municipal revenue split. A firm providing shelters alone, may offer \$15,000 in shelter capital, perhaps 20% of sales in maintenance, and ongoing revenue to the city of perhaps 15% of sales.

Once forced to provide, AND maintain the bins and benches, the capital required will rise to \$22,000, maintenance will rise to 30% of sales and there will be very little, if any, additional sales revenue from the local advertising format. These increased capital and maintenance costs will certainly drop the ongoing revenue available to the city.

A municipality may only enjoy the maximum benefit from the individual advertising markets if the advertising sales are maximized from each market. It is the advertising sales that pay for these programs. The monetary advantages to having separate firms provide separate programs are clear, but do not by necessity offer the municipality aesthetically “coordinated” programs.

York Region, like other municipalities, faces the challenge of accomplishing both objectives;

- maximize the monetary return, and at the same time,
- coordinate the look and feel of the streetscape.

There are two ways to achieve harmonization of design and maximization of return. The first is for the city to design its own line of products. There are some potential problems associated with this, not the least of which is that advertising firms tend to have certain practical aspects to their designs which save money and offer savings that translate into income for both the firm and the city.

The second way for the city to achieve its objectives is to offer the programs “successively”. Clearly the larger investment is in the shelters. Once the “national” bidders have responded to the shelter program, the “local” bidders would be asked to provide aesthetically co-coordinated bins and benches.

This process worked very well with the VIVA program. Bidders were asked to present designs that worked with the VIVA shelters, and COA’s Concourse was created.

Although we cannot speak for other local advertising sales firms, under an RFP for local street furniture components such as benches and recycling containers, COA would undertake to design, provide and maintain the local furniture component of an aesthetically coordinated program for York Region.

Thanks to COA’s already wide range of local street furniture products, we are in the unique position of being able to offer the Region local furniture that is tailored to the individual transit stops. The Region may find itself with a variety of different shelter designs even following a shelter RFP. COA will be able to coordinate to each shelter style, by colour, style type and required amenities.

COA can and will provide products that go with each of the different types of shelters that will be in place once the Region has settled on a shelter provider. COA is proud to work with the Region to ensure that it continues to have the very best “local” street furniture programs in North America.

Creative Outdoor Advertising

Creative Outdoor Advertising is a 25 year old York Region company that employs 80 full and part-time people. It is the largest in its field in North America and has contracts to provide its “Local” street furniture products to over 70 towns and cities across the continent.

COA proudly supports many local charities and programs such as York Region Abuse Program, Big Brothers and Big Sisters, York Central Hospital, and Markham Stouffville Hospital.

The province of Ontario's Ministry of Small Business and Entrepreneurship recognizes Creative Outdoor as one of its Innovative Alliance group of fastest growing companies. COA has been recognized for excellence in innovation by the BDC, nominated for entrepreneur of the year in the Ernst and Young Program, and, with almost 15% of its sales now from the US, the company is supported in its expansionary efforts into the United States by Export Development Canada.

York Region is Creative Outdoor Advertisings home, and by far the company's most important contract. York Region has served as the model to other communities in COA's expansionary efforts and the Region's support has been critical to COA's growth and success.

Thank You,

David Gray
President