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**AC TRANSIT DISTRICT****Board of Directors**

Executive Summary

**GM Memo No. 09-157**

Meeting Date: September 30, 2009

**Committees:**Planning Committee External Affairs Committee Rider Complaint Committee **Board of Directors** Finance and Audit Committee Operations Committee Paratransit Committee **Financing Corporation** 

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**SUBJECT:** Consider Receiving Report on Non-traditional Ways to Increase Advertising Revenue**RECOMMENDED ACTION:** **Information Only**     **Briefing Item**     **Recommended Motion**

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**Fiscal Impact:**

There is potential for increased revenue for the District, but the amount, as well as the cost/revenue ratio, is unknown. In addition to increased revenues, there may be potential for in-kind media trades or cross-promotional activities.

**Background/Discussion:**

AC Transit has just begun a new, exclusive five-year contract with Titan Worldwide to sell advertising on the inside and outside of its buses. Unlike the flat-fee revenue structure with the previous contractor, CBS Outdoor, Titan will pay the District a minimum annual guarantee of approximately \$1,000,000 or 65% of Titan's annual gross advertising revenue, whichever is greater. The minimum guarantee is considerably less than in AC Transit's previous contract (\$2,500,000 in FY 08/09), and AC Transit's Board of Directors has requested that staff research and consider other, "non-traditional" methods of increasing advertising revenue beyond the revenues guaranteed by Titan.

Staff has developed a list of sales opportunities in order to examine the potential of each one and has presented them in the attached table. Ideas that staff believe could bring in additional revenue with little expense or staff effort are indicated as "high potential," while those that would require significant staff effort with relatively little financial gain are "low potential." "Medium potential" ideas may merit additional research to determine their ratings.

In considering all the opportunities on this list, as well as known resource constraints, staff believes the best approach is to focus on three efforts:

- Leverage the existing contract with Titan to explore ways in which their staff can "upsell" bus ads with other products, such as ads on AC Transit publications or utilizing other areas of the bus. Titan has an experienced sales force whose sole responsibility is to sell advertising and maximize revenue. With a shared revenue contract, it is mutually beneficial to pursue revenue that exceeds the minimum annual guarantee.

- Potentially incorporate web site advertising into a contract with a new web designer/developer. AC Transit does not necessarily have the staff or expertise to go out and sell web ads, but it would be worthwhile for the new web developer to evaluate the revenue potential for such a program and determine how such ads might be integrated into the actual site pages. If the developer's evaluation is promising, AC Transit can look at staffing to determine a cost-effective and easy-to-implement sales strategy. Web advertising might also be a compelling "add on" to AC Transit's traditional bus advertising.
- Pursue partnerships with organizations that have a natural affinity with AC Transit, such as Zipcar, or with which we are already working, such as Commuter Check. These partnerships would not necessarily aim to increase direct revenue, but could establish valuable co-marketing opportunities and/or in-kind value that lead to increased ridership without incurring costly advertising expenses.

**Prior Relevant Board Actions/Policies:**

None

**Attachments:**

Table detailing ideas for non-traditional advertising revenues.

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**Prepared by:** Karen Bakar, Marketing Administrator

**Date Prepared:** September 15, 2009

Advertising Options Opportunities		Challenges	Potential
<b>On Board</b>			
Ads on currently "unused" areas of the bus (top edge, interior ceiling, interior back wall, etc.)	Opportunity to leverage existing contract with Titan and have them sell ads to be placed on currently unused space, such as along the exterior top edge of the bus ("headliner"). Easier to upsell to a client who is already purchasing bus ads. Very little need for AC Transit staff time or upfront costs. If Titan does well, potential to increase AC Transit's share of revenue over the minimum annual guarantee.	Not much of a downside except that the additional revenue may not be substantial, or nothing at all, if overall revenue is below the minimum annual guarantee. There is also the question of how much visible advertising AC Transit staff and Board members are willing to allow on buses.	HIGH
On-board video	This involves placement of LCD screens on buses for the purpose of displaying ads. Medium allows for rich advertising content and branding opportunities, plus use of full color with audio. Advertisements are generally included with news, entertainment, and real-time schedule information.	This would require contracting with an ad agency that specializes in selling these types of ads since AC Transit does not have the staff or expertise for this type of sales effort. High upfront costs could outweigh potential revenue. Also lack of many successful models at other transit agencies. At a recent APTA meeting, the general feeling about this form of advertising was negative and apparently some of the agencies specializing in this form of advertising have gone out of business. Potential vandalism an issue, and target market of bus riders (versus general public outside bus) may not be compelling enough to potential advertisers. This type of advertising, depending on how audio is formatted, could also be an annoyance to passengers.	LOW
<b>Electronic</b>			
Advertising on AC Transit Web site	Good opportunity to reach local transit riders. AC Transit could outsource sales to an outside agency. To avoid the job of selling, AC Transit could consider an easy-to-implement Google program in which outside ads "pop up" on the AC Transit Web site and advertisers pay for each click-through.	Unless handled by an outside agency, web advertising can be very staff intensive in terms of actual selling, implementing, and managing. AC Transit's Web site may not get enough "eyeballs" to make it sufficiently compelling to potential advertisers. (Between 2/1/09 and 7/31/09, AC Transit's Web site had 851,723 pageviews.) Google program may be an easy, no-risk way to give Web advertising a try, but AC Transit would have less control over which ads show up on the Web site.	MEDIUM
e-News	Ads (messages) could be targeted to specific riders of certain lines or to entire subscriber database (approx. 9,000 people.)	AC Transit would need staff to sell ads, unless it was part of a larger Web advertising deal. Biggest obstacle, however, is that AC Transit has promised riders that e-News messages are solely about AC Transit and that subscribers will not receive "spam." Does AC Transit want to depart from this commitment, and would the small amount of revenue garnered be worth potentially upsetting and/or losing riders.	LOW
At-stop signs	AC Transit owns the NextBus signs and could sell advertising on them. Advertising sales would be facilitated by finding a few big advertisers who are interested in advertising District-wide or at the Temporary Terminal on the Daktronic signs.	Most likely very staff-intensive, especially if selling was line-specific. There may not be enough "eyeballs" to make this very interesting to potential advertisers. NextBus has had none of their more than 60 clients ask for this type of advertising and does not believe there is much advertising potential. There is opportunity for advertising on text message alerts; however, because AC Transit does not pay extra for the text messaging feature, the feature is subsidized by ads that are already showing up on alerts received by AC Transit riders.	MEDIUM
AC Transit wi-fi homepage	Sell Web ads to be placed on the main page of AC Transit's free wi-fi service currently on MCI buses. Target market of Transbay riders could be a compelling sell.	AC Transit would prefer not to subject passengers using wi-fi to ads. It's unlikely anyway that the service has enough "eyeballs" to make advertising very compelling.	LOW

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Advertising Options Opportunities		Challenges	Potential
<b>Materials</b>			
System maps	May be feasible if we strike a deal with one large advertiser who would have an interest in reaching our entire District (e.g. Zipcar, Kaiser Permanente.) Could also be compelling as part of a media trade or co-marketing strategy with a group like Commuter Check with whom we already have a relationship.	Since AC Transit does not have the staff to sell the advertising space, AC Transit would want to focus on leveraging existing partnerships or targeting one potential advertiser with whom AC Transit has a natural affinity. Selling each of the four separate system maps would require even more staff and would probably not be compelling to potential advertisers because the quantities might be too low.	MEDIUM
Timetables	Opportunity to sell very targeted line-specific ads that would appeal to local, neighborhood businesses, or to one larger advertiser that could be sold the entire District.	Many of the same challenges as the system maps, but revenue would probably be even lower because ads would have to be smaller and in black and white. Small businesses buying at the line/neighborhood level would probably be the most interested in this opportunity, but because of the quantity of ads that would need to be sold, it would require significant AC Transit staff. Overall, the cost-to-revenue ratio would likely be very high.	LOW
AC Transit tickets	Like the system maps, this is an opportunity provide potential advertisers with broad exposure across the District	BART sells ads on their tickets, but reports that it is not a significant revenue generator in and of itself, except as part of a media trade. The biggest hurdle for AC transit is the tickets themselves since there is very little available space on the back. The quantity of tickets is also relatively low and are ordered to last a year, meaning that advertisers would be restricted to long-term branding campaigns.	LOW
<b>Property/Routes</b>			
Temporary Terminal	Advertising on the Daktronic signs that are in the current Terminal and being moved to the Temporary Terminal is the only potential option.	The TJPA just received permission from the SF Redevelopment Agency (SFRA) to sell advertising at the bus shelters (and presumably other locations within the Temp. Terminal.) They also asked about advertising on the large LCD signs that will be placed at the two corners of the Terminal, but were denied. Advertising on the Daktronic signs (alternating with NextBus arrival info and other AC Transit news is a possibility, but the costs likely outweigh the potential revenue.	LOW
Ardenwood Park & Ride Lot	There are no ads at Ardenwood currently, but there is interest among AC Transit staff in looking for revenue opportunities as long as it is credited against lot expenses.	If revenue is credited against expenses, the net revenue may be negative or very minimal. Nevertheless, anything that serves to decrease expenses is positive. Question would be to determine what areas of Ardenwood are available for advertising, and how advertising would be sold.	MEDIUM
Eastmont Transit Center	There are currently no ads at Eastmont Transit Center.	AC Transit leases the property, and would have to get permission to advertise. Additionally, there is currently no mechanism to place ads, so some type of infrastructure for advertisements would have to be constructed.	UNKNOWN
Line Sponsorships	Businesses could reach potential customers within a specified target area by purchasing exclusive sponsorship of an individual line, or set of lines.	The advertising potential is uncertain since there are no clearly compelling locations to place ads (the poles are small and already filled with critical rider information), and since most buses are not assigned to specific lines, they could not be used effectively for this type of targeted marketing. Finally, unless AC Transit focuses on selling just a couple of its major lines, it would require a very aggressive sales effort for potentially little gain.	LOW

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