

**Metro****12****EXECUTIVE MANAGEMENT AND AUDIT COMMITTEE
AUGUST 19, 2004****SUBJECT: METRO ADVERTISING****ACTION: RECEIVE AND FILE****RECOMMENDATION**

Receive and file the following report on Metro's advertising program.

ISSUE

Over the last three years the agency has undertaken a major initiative to improve communications to constituents and customers. In FY02, the Communications Strategic Business Unit was established. In FY03, marketing and advertising activities were consolidated, materials were standardized and an overall communications plan was implemented. In FY04 the agency introduced a new logo and new vehicle design to improve awareness, perception and support of the agency, its products and services.

The Communications Unit uses various means to build awareness of and support for Metro's diverse services. One of these means is the use of paid advertising in various media outlets throughout the County. The use of paid media has improved public perceptions of Metro's programs and services.

DISCUSSION

Metro uses a variety of means to communicate with riders and the general public. Media relations activities, community outreach, participation in local events, website postings and other efforts all are intended both to inform the public about Metro services and to generate a positive perception of those services in the process.

Paid advertising is a key component of these efforts. Los Angeles is one of the largest media markets in the world, with dozens of local television stations, over 80 local radio stations and hundreds of local print publications.

Since FY03, Metro has pursued a two-pronged approach to using paid media. To maintain an ongoing media presence, we place informational ads on a monthly basis in a broad range of newspapers and radio stations. To promote specific programs and services, we use targeted print, broadcast, direct mail and outdoor media.

For the ongoing presence, Metro places informative monthly ads called “Metro Briefs” in a broad range of 109 local newspapers, ranging from the major dailies to community weeklies. In addition, we run monthly 10-second announcements on traffic radio reports. These announcements are heard on 50 radio stations and serve to reinforce the presence of the “Metro Briefs” newspaper ads.

Recent specifically-targeted campaigns such as the Gold Line opening and the opening of new Metro Rapid lines have used outdoor advertisements in the service area as well as local newspaper ads, while the introduction of the Metro Day Pass used broader radio advertising as well as ads on bus exteriors.

Among the general public, exposure to advertising builds awareness of and support for Metro’s activities and helps demonstrate to taxpayers that Metro is using public funds wisely. A 2004 general public survey shows that people who have seen Metro advertising are twice as likely to have a favorable impression of Metro programs and services than those who haven't.

Among existing customers, exposure to advertising builds understanding of and appreciation for service enhancements. In a Spring 2000 customer survey, more than half of the respondents said they had heard or seen Metro’s “It’s Getting Better On the Bus” advertising; and of those who were both aware of the advertising and agreed with its sentiments, 86% said the campaign helped them notice the service improvements, thereby influencing their perception that Metro Bus service was indeed getting better.

Over the past year, Metro has been using direct mail in a New Resident program to attract new riders. Whenever people establish a new address in Los Angeles County, Metro mails them a letter welcoming them to their new neighborhood and suggesting that they consider using transit. The letter offers a free trial by inviting the recipient to return a card and receive a free weekly pass for one week. Response to this offer has been very strong, running between 8% and 9%; direct mail response rates are typically closer to 2%. The campaign offers an effective means of introducing customers to Metro’s transit service at time when they need to establish new travel patterns.

To purchase media, Metro makes use of an independent outside Media Buyer. In November 2002, the Board approved a Media Procurement Policy enabling the Media Buyer to perform the competitive phase of media procurement in a manner consistent with media industry practices. Cost/price analysis, sole source justifications and the balance of all required internal documentation is maintained by Procurement staff. The policy’s flexibility allows placement of media in the most diverse range of media outlets possible. The Inspector General’s audit division reviewed media procurements conducted under this policy in January 2004 and found the process to be satisfactory.

In addition, the Media Buyer is able to secure favorable rates. The “cost per thousand,” or cost of reaching 1,000 people, for all Metro newspaper advertising placed during FY04 averaged \$9. Radio advertising placed by Metro during FY04 reached 85% of the county population, with each listener hearing a Metro message an average of 15 times per quarter.

For FY05, Metro's advertising budget is \$3.8 million, down from \$4.2 million in FY04. To gain additional exposure, Metro negotiates for anywhere from 2% to 10% in "bonus" space or other added value, such as editorial space, with each advertising buy.

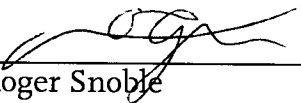
NEXT STEPS

Funds for media purchases are planned, budgeted and approved in each fiscal year. Communications will continue to work towards maximizing the results of its advertising programs in support of all other Metro Communications efforts while using advertising expenditures in the most efficient manner possible.

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