

A proposed business plan for an out-of-home media platform business in Gauteng

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ABSTRACT

The ever-changing business environment poses both opportunities and threats for new entrepreneurs, but it is essential to know when to pursue an opportunity. A new business can be very challenging, so it is crucial to conduct the necessary research and consider every possible scenario, to improve the prospects of success for the new start-up.

The objective of this research project was to conduct an in-depth analysis of the out-of-home (OOH) billboard industry in South Africa, for a new start-up billboard owner situated in Gauteng. It was essential to determine how big the OOH billboard industry is in Gauteng, and how much growth opportunities it presents in the near future. The research began with a literature study on the origins and importance of a business plan, the difference between marketing and advertising, and the influence these two concepts have on the industry.

The four central departments of a business were discussed as a strategic overview of the business environment, including operational management, human resource management, financial management, and marketing management. This holistic overview of the internal business environment gives the reader a chance not only to read the proposed business plan but understand where the strategies originated and why they are essential.

Consumers spend a significant amount of time travelling between their work and their homes, over the past century, out-of-home advertising media have continued to evolve together with the transport systems in South Africa. The average South African spends more than an hour commuting each day; the increasing amount of time spent outside presents an opportunity for outdoor advertising media owners.

Keywords: Out-of-home, OOH, billboards, business plan, marketing, advertising, start-up, entrepreneurship, media owner

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CHAPTER 1: NATURE AND SCOPE OF THE STUDY

“An idiot with a plan can beat a genius without a plan”.

Warren Buffett, American business magnate, investor, and philanthropist

1.1 INTRODUCTION

Consumers spend a significant amount of time travelling between their work and their homes, mainly because of traffic congestions and the distances they need to travel (Roux, 2017:834). Over the past century, out-of-home advertising media have continued to evolve (Du Plooy, 2013:3) together with the transport systems in South Africa (Roux, 2017b:836). The average South African spends more than an hour commuting each day (World Bank in Price Waterhouse Coopers, 2016). The increasing amount of time spent outside their homes, whether it be to travel to and from work or for recreational purposes, presents an opportunity for outdoor advertising media owners (Roux, 2017:835).

‘Out-of-home (OOH) advertising’ is a more general term than its cousin ‘outdoor advertising’ and refers to all out-of-home advertising (Luxton & Drummond, 2000:735-736). The term out-of-home (OOH) advertising media refers to any forms of the outdoor advertising media display, including but not limited to billboards, posters, signs, banners and other forms of display media that can be seen from a road segment (McDonald *et al.*, 2006:1). The OOH industry has expanded globally in all different shapes and sizes. However, in South Africa, it is primarily classified in four large groups, namely outdoor advertising, transit media advertising, street-and-retail furniture advertising and digital and ambient OOH media channels (Roux *et al.*, 2013: 388).

For this study, the focused will be aimed at outdoor advertising media platforms, which comprises of large-format advertising displays (billboards) that can be viewed by vehicular traffic from far distances, while driving (Terence, 2010:24).

Over the next decades, OOH advertising media will continue to diversify due to its cost-effectiveness, and the large customer reaches it presents, which is an ideal motivator for integrated marketing communication (IMC) campaigns (Lopez-Pumarejo & Bassell, 2009:33-40).

A business plan is unquestionably one of the fundamental aspects that determine the success of an organisation (Sahlman, 1997: 98-99), whether it be to launch a new venture or expand on an existing one (Barrow *et al.*, 1998:6). “If you fail to plan, you plan to fail” is a prevalent saying in the world of entrepreneurship and carries many truisms in business development (Ekanem, 2017:1).

This study explores an in-depth analysis of the viability of a business opportunity presented for an outdoor advertising media owner in South Africa.

In this chapter, the following will be discussed, namely the definitions, the problem statement, the research objectives, the scope of the study, the research methodology, the limitations to the study, and the layout of the study.

1.2 DEFINITIONS

This section will define some of the essential concepts used in the study.

1.2.1 OUT-OF-HOME (OOH) ADVERTISING

The term ‘out-of-home’ advertising has become obsolete and has since been replaced with OOH advertising media (Du Plooy, 2009:72).

“OOH advertising includes outdoor advertising in the public domain, such as advertising on boards next to a highway; but it also includes other non-domestic OOH advertising – not necessarily outdoor communication – such as advertising at airports, train and subway stations and entertainment or retail venues, such as shopping malls, health clubs, doctors’ rooms, public restrooms and restaurants.” (Roux & Van der Walddt, 2014:101).

1.2.2 OUTDOOR ADVERTISING MEDIA PLATFORMS

Outdoor advertising media comprises of two formats (Roux *et al.*, 2013: 390):

- a. Constructions/buildings: Existing urban structures to host advertising, i.e. on existing buildings/walls, on towers and bridges.
- b. Free-standing advertising signs/billboards

1.2.3 BUSINESS PLAN

“A business plan can be defined as a written narrative, typically 25 to 30 pages long, that aims to describe all the aspects of a business venture. The aspects in question seek to answer what a new business intends to accomplish and how it intends to accomplish it” (Bergström, 2012:5).

The compilation of a business plan serves a dual purpose, for both internal and external reasons (Barringer, 2015:112). The internal reason being to understand all aspects of the business holistically that might otherwise have gone unmarked, and the second reason is to attract investors and lenders.

1.2.4 STATIC BILLBOARD

A billboard is defined as an outdoor stationary structure upon which advertisements are displayed. This definition includes elevated signs and signs that are attached to the sides of buildings. Static meaning that it is a standalone unit lacking in movement, action, or change (Luke *et al.*, 2000:17).

There are different types of static billboards; for this study, the focus will be on the following billboard structures:

- i. A static billboard attached to a bridge
- ii. A constructed stationary billboard structure on a monopole
- iii. A billboard attached to the side of a building.

1.3 PROBLEM STATEMENT

The fast-growing OOH Advertising industry in South Africa presents a great business opportunity (Roux, 2017:834-835). The continued invention and diversity of the field keeps the industry mainly in the 'growing' phase, which in turn presents an upcoming entrepreneur with endless options for a competitive advantage or unique selling point (Mudeliar, 2007:42).

Billboards, the dominant form of OOH advertising, reaches approximately 85% of the adult South African population (PWC, 2016:238). An article published by Media Update (MU, 2018) stated that there are currently 12 900 outdoor sites (billboards) across all nine South African provinces, of which the larger part was situated in Gauteng (Outdoor Auditors, 2018). Due to the current economic situation in South Africa, outdoor media owners are partnering up in joint ventures to obtain the billboards and split the capital investment. The income generated is then paid out according to the percentage as agreed upon.

According to The State of OOH Report for 2019 (Outdoor Auditors, 2019), there are approximately 200 media owners in South Africa, of which JCDecaux are the largest with an estimated 25% of sites. The unique and specific regulations pertaining to this industry, combined with high rivalry amongst competing firms, the high potential to develop substitute products, and the high bargaining power of both suppliers and consumers, emphasises the need for a business plan for an out-of-home platform business in Gauteng.

The highest spend, over the past six years, in South Africa's billboard market was seen in January 2016 at R118 814 614.17, with 27% blank sites (The Media Online, 2019). In February 2019, the percentage of blank sites dropped to 25% (which is the lowest number of blank sites since January 2015) with OOH spend at R104 023 592.00. The current average occupancy rate on static billboards in Gauteng is 75% (M. Raubenheimer personal communication, 29 March 2020), which, according to

Raubenheimer, is a decent average compared to some billboards located in other provinces.

Raubenheimer (M. Raubenheimer personal communication, 29 March 2020), furthermore, argues that although the application process may be quite lengthy, and the initial capital lumpsum relatively high, the return on investment on static billboards, in his experience, is very satisfying.

Even though the OOH advertising media industry in South Africa is growing, there is limited academic research on the start-up of such a business. To supplement the lack of academic research and to facilitate the growth of the OOH advertising industry, this study aims to explore the viability, profitability, opportunities and challenges presented to start-up media in South Africa.

1.4 RESEARCH OBJECTIVES

This study has one primary objective and five secondary objectives that will help to achieve the primary objective

1.4.1 PRIMARY OBJECTIVE

The primary objective of this study is to compile a business plan for a static billboard media business in the out-of-home advertising industry in South Africa. The plan intends to function as a guide for OOH media businesses in the industry. In addition to the above, the business plan will thoroughly investigate whether the business idea is worth proceeding.

1.4.2 SECONDARY OBJECTIVES

In order to achieve the primary objective, the following secondary objectives need to be addressed:

- To conduct a literature review in which the existing literature of the industry can be synthesised and critically analysed.
- To review the literature on the content of business plans and how to compile a business plan.
- To analyse the internal, external, industry and competitor analysis to compile the business plan.
- To compile a business plan based on the analyses.
- To present conclusions and recommendations based on the research conducted for this study.

1.5 THE SCOPE OF THE STUDY

The scope of the study is divided between the field of study, industry and geographical demarcation.

1.5.1 FIELD OF STUDY

This field of the study is entrepreneurship with the focus on compiling a business plan. In this study, the business plan will be used as the foundation for the business, and to attract banks, investors or other moneylenders.

1.5.2 INDUSTRY UNDER INVESTIGATION

This study will focus on outdoor advertising media, more specifically static billboards, which is a sub-industry of the OOH advertising media industry. In South Africa, there are currently just over 12 900 static billboards across all nine provinces combined (Outdoor Auditors, 2018). This leaves room for significant growth. In 2016, OOH advertising expenditure in South Africa rose to R2.1 billion (PwC, 2016) and was expected to rise to R2.9 billion in 2021.

1.5.3 GEOGRAPHICAL DEMARCATION

There are currently 85 members registered with Out of Home Media South Africa (OHMSA, 2020), who own billboards across the country. Out of the 12 900 billboards, just below 50% is situated in Gauteng (Outdoor Auditors, 2018). Gauteng is known as South Africa's economic powerhouse with the most considerable national GDP contribution equating to 34% (Stats SA, 2017). The illustration below indicates where Gauteng is situated:

Figure 1-1: Map of South Africa



Source: Africa Travel Magazine (n.d.)

1.6 RESEARCH METHODOLOGY

The research will be conducted in two phases. First, a literature review will be compiled to give the necessary background and familiarise the reader with the OOH advertising media industry and the opportunities it presents, as well as a review of using business plans to assess the feasibility of businesses.

The second phase will be a qualitative study in the format of content analyses and compiling a business plan for the industry.

1.6.1 LITERATURE REVIEW

A literature review will be conducted based on the relevant literature of the purpose, content, and process to compile a business plan.

The purpose of the literature review is to familiarise the reader with the OOH advertising media industry, and secondly, to review the specific industry under investigation. The literature review will start by giving a history of OOH advertising, and the focus will remain on static billboards. It is essential to understand where these large-format advertising displays originated and where they are headed because it forms the basis for the entire business plan. The literature review will continue to define the OOH advertising media platform industry within the broader OOH advertising industry and comparing billboard displays in South Africa with the international billboard advertising industry. The purpose of this will be to give background information about the industry and to compare international trends with the trends of billboards in South Africa.

In addition to the OOH advertising media industry, the literature review will also elaborate on the definition and importance of a business plan, and precisely what it entails. These elements include business analysis, target market, marketing, operations, and regulations.

Google and Google Scholar will be used to search for information. Sources include:

- Journals and written publications
- Dissertations, mini-dissertations, and other papers on the subject
- Books
- News articles
- Internet articles
- Internet websites

1.6.2 COMPILING THE BUSINESS PLAN

In this section, the research approach will be discussed as well as the analyses and process to compile the business plan.

1.6.2.1 Research approach

The empirical research approach will be a qualitative study in the format of content analyses and using assessment techniques and tools to compile the business plan. There will be no contact with respondents.

1.6.2.2 Compiling the business plan

The business plan will be compiled based on the research conducted in the literature review. Furthermore, several business tools will be used to ensure that accurate assumptions and conclusion are made in the business plan. The tools will include Porter's Five Forces, the TOWS matrix, a unique selling point analysis, and a business model canvas. These tools will be used to derive a detailed marketing strategy and a functional strategy comprising of an operational strategy, a human resources strategy and a financial strategy.

Based on the analyses, a business plan will be compiled for an OOH media owner in South Africa.

1.7 LIMITATIONS OF THE STUDY

The most significant limitation of this study will be the geographical demarcation. By focusing only on Gauteng, this study may not be representative of the greater South Africa.

Another limitation is that the OOH advertising media industry of South Africa has not matured yet.

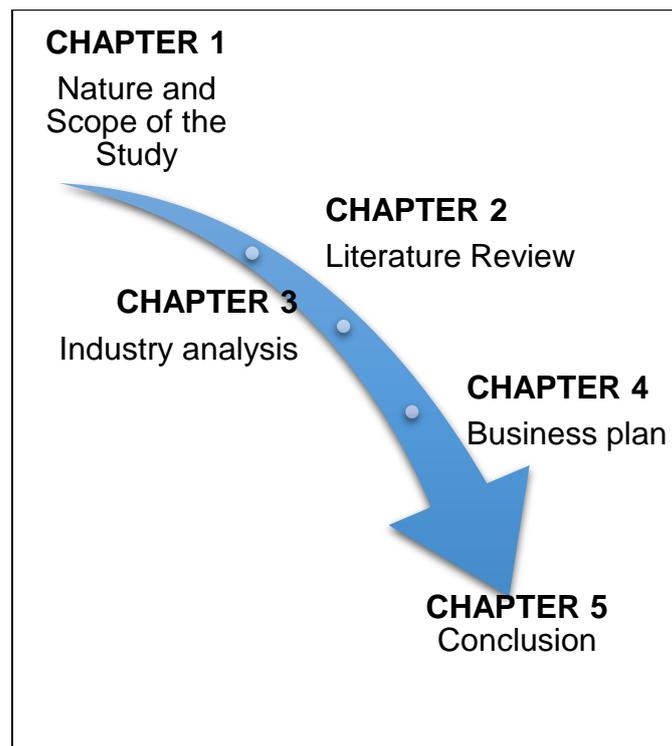
1.8 THE LAYOUT OF THE STUDY

The mini-dissertation in the form of a business plan or management report consists of five chapters. Refer to Figure 1.2 for a graphical representation of the chapter layout.

Chapter 1 orientates the reader and consists of an introduction, problem statement, objectives and scope of the study, research methodology and limitations of the study.

Chapter 2 examines key concepts and provides the background to the nature of the study. This section, furthermore, reviews existing literature on the OOH advertising media industry and the definition, importance and components of a business plan.

Figure 1-1: Chapter layout



Source: Created by the researcher

Chapter 3 discusses the background, overview and analysis of the industry, the internal organisation, the target market, and the operations.

Chapter 4 presents the completed and proposed business plan.

Chapter 5 provides a summary of the research findings and make conclusions about the research problem. Recommendations are made based on the literature review. Lastly, the achievement of the objectives will be discussed.

CHAPTER 2: LITERATURE REVIEW

2.1 OVERVIEW OF A BUSINESS PLAN

A business plan can be described as a written document that holistically explains an attractive business opportunity, including the goals and objectives of the business, and the methods of achieving these goals (Deakins *et al.*, 1999:118). According to the United States Small Business Administration (SBA, 2020), a good business plan will guide an entrepreneur through all the stages of starting and managing a business, as it compares to a roadmap that should be used to structure, run and grow the business through all the critical decisions.

2.1.1 WHAT IS A BUSINESS PLAN?

With the emphasis placed on the definition of a business plan, the following description was quoted directly from the United States of America Small Business Administration's (SBA, 2020) website:

“A business plan precisely defines your business, identifies your goals, and serves as your firm’s resume. It helps you allocate resources properly, handle unforeseen complications, and make sound business decisions. Because it provides specific and organised information about your company and how you will repay borrowed money, a good business plan is a crucial part of any loan application. Additionally, it informs sales personnel, suppliers, and others about your operations and goals.”

In order to understand the term “business plan” in its entirety, it might be best to define each word individually. According to Hayes (2020), a business can be defined as an organisation or enterprising entity that engages in professional, industrial, or commercial activities; and can be for-profit or non-profit organisations. The term “business” is also substituted for a group and/or individual efforts to produce and sell goods or services for profit or to further a social cause. Van Rensburg (2008:3) defines a business as an

institution where economic tasks are performed in an orderly fashion, as a means to satisfy customer needs and reward the business, in the most efficient way possible.

Planning is a decision made today, with tomorrow in mind (Botha & Musengi; 2012:127), in order to lay a foundation for future decisions that will be made rapidly, economically and with as little disruption to the business as possible. Stojkovic *et al.* (2007: 9) describe planning as the process of establishing goals and objectives and developing a complete strategy that entails plans and sub-plans to coordinate and integrate organisational activities.

According to Ekanem (2017:1), there are two main objectives to a business plan: (1) to serve as the entrepreneurs strategic planning document guiding him/her in strategic decisions that have to be made for the success of the business, and (2) to assist in raising the necessary funds from banks, investors and other moneylenders. Pinson (2008:2) added that a business plan is a blueprint filled with tools one can use to analyse the current position of the business and make the necessary changes.

Although business plans are usually created for new start-up companies, John Catibog (Bplans, 2018) suggests that a business plan should be revised at least twice a year. According to Catibog, this will assist in keeping a business “up to date” in an ever-changing environment and better prepared for future changes and the challenges that comes with it. When the business plan is revised, the current position of the business should be compared to the latest business plan, to ensure a proper framework for the necessary changes to be made. According to an article in the Entrepreneur magazine, the following seven reasons will encourage an update for a business plan (Entrepreneur, 2020):

- At the beginning of a new financial year.
- Additional financing is required, or lenders request an updated plan to review their current investments.
- When significant market changes manifest through, for instance, a dramatic shift in customer demands, customer trends and altered regulations in a specific industry.

- The business adds new products/services, technology or skills to their current offering.
- There has been a change in management.
- The business has surpassed one or more of its goals, e.g. buying new offices, reaching the desired annual turnover, or employing more employees than initially anticipated.
- Due to the fast-changing environment, the original plan is no longer relevant in the market.

Mason *et al.* (2004:227-228) argue that, although there are several purposes for the compilation of a business plan, the most common objective remains the attraction of investors. Kuratko and Hodgetts (2001:289) suggested that a business plan is a minimum requirement for consideration from any investor or other financial source. Barrow *et al.* (2001:10-11) differentiate between a 'business plan' and a 'funding proposal', suggesting that an investor will only consider the funding proposal once he or she is intrigued by the business plan. In other words, the prospective funder's decision on whether to proceed beyond the initial comprehension of the business plan is based solely on the quality of the business plan used to support the funding proposal. Barrows' argument is supported by Professors Fry and Stoner (Fry *et al.*, 1985:2-5), from the Small Business Assistance Center at Bradley University, claiming that there are two major types of business plans: working plans and investment plans.

The primary purpose of the working plan is to offer the necessary information regarding the business to provide insights and guidance on operational decisions. The working plan confers the goals and objectives of the business and demarcates the actions to be taken to achieve these goals, whilst the investment plan follows an evident financial approach.

The investment plan answers questions like "how much money is required?" "why is it required?" "how much is the owner's equity?", as a means to satisfy the funding agency in question. Fry *et al.* (1985) tabled the differences between working and investment plans, as shown below:

Table 2-1: The differences between working and investment plans

| Factor | Working plan | Investment plan |
|---------------------------------------|--|--|
| Prepared by | Top management, sometimes with the help of a consultant or operational managers | Top management, often with the help of loan packager, CPA firm, and/or accounting personnel |
| Prepared for | Top management, middle management, and other employees | Banks, SBA, venture capital firms |
| Focus | Strategy and operations | Sources and uses of funds |
| Flavour of plan | Objective, realistic, thorough | Objective, optimistic, crisp |
| External data needed | Competitor analysis, economic, technological, and social trends | Competitor analysis, technological trends (for hi-tech firms) |
| Internal data needed | Analysis of strengths as well as weaknesses of current operations, historical trends | Management resources, financial projections. Significance of project, strengths of company and management team |
| Number of steps | Varies | Varies |
| Primary ingredients of the final plan | Nature of business, objectives, strategies, controls | Nature of the business and market, amount of money needed, sales and earnings forecasts, and makeup of management team |
| Time to prepare | Substantial—often done over several months while performing other duties | Depends on the help from loan packagers - possibly two to four weeks. |
| Desired length | Indefinite - as long as needed | 10-15 pages plus documentation, or 1/4 to 1/2 inch thick |
| Frequency of referral to plan | Periodically, at least quarterly | None, if the plan is acceptable |
| Frequency of revision | Annually | When outside funding is needed or as required by financier |
| Measure of success | The plan itself, the planning process, the achievement of goals | The obtaining of desired funding |

Source: *Business plans: Two major types*

Although entrepreneurial ideas can be powerful, the biggest challenge remains the conversion of an attractive idea into a valuable opportunity (Guclu *et al.*, 2002:6). An “attractive” opportunity is a business idea that proves adequate potential for positive

social impact that will ultimately justify the investment of time, energy, and money required to pursue it seriously (Gruber *et al.*, 2015:215).

2.1.1. THE ORIGINS OF A BUSINESS PLAN

Business plans, as they are known today, became a well-known term shortly after World War II, during the period of rapid economic growth (Encyclopedia.com, 2020). Due to the large number of companies suffering under financial stress, a new term came into play, known as 'long-range planning' (Steiner, 2010:3). The current term for long-range planning is strategic planning, which "arrived on the scene" (Mintzberg, 1994) in the 1660s. It refers to all the main aspects of a business, including its finances, products and/or services, management, sales and marketing strategies.

According to Henry Mintzberg (Mintzberg, 1994), business planning, with specific modern characteristics, was practised in the 19th century in France by the mining industry. Business planning, as it is known today, started as an extension to the budgeting process in the United States, in the early 1950s (Encyclopedia.com, 2020). Business planning further advanced in the 1970s and 1980s, when it became a principal corporate business activity and continues so to this day. Businesses were expected to discuss their more complex business activities in much more detail, which generally included operational activities; consumer demand forecasts, and strategic approaches to new markets (Tim Berry, 2016).

2.1.2. THE BENEFITS OF A BUSINESS PLAN

According to Barrow *et al.* (1998:7), one can anticipate several essential benefits arising from the preparation/compilation of a business plan:

- The systematic approach to planning enables one to make mistakes on paper, rather than in the marketplace.
- Once the business plan is completed, the entrepreneur will feel more confident regarding their ability to set up and operate the venture.

- The business plan will give a clear indication of how much capital investment is required, what it is required for and when, and for how long it is required.
- The preparation of the business plan will give the entrepreneur valuable insights into the planning process required to manage a business successfully.

2.1.3. THE CONTENTS OF A BUSINESS PLAN

In today's vigorously competitive and ever-changing environment, a business plan is an entrepreneur's most vital business document (Abrams, 2003a:1). A business plan generally consists of the following (Abrams, 2003b:32-37; Finch, 2010:18-21, Honig & Karlsson, 2004:34-36).

1. **The executive summary** appears first in the business plan, but it is written last. The importance of an executive summary lies in its ability to capture the reader, especially if that reader is a lender/investor (Abrams, 2003:47). Although the summary is considered to be 'short and sweet' it needs to be clear, concise and compelling to persuade readers to consider the document as a whole (Finch, 2010:23). The executive summary will outline points 2 – 10, as discussed below.
2. **The company description** includes the background of the company; how the idea was created, how the opportunity was recognised in the current market, the products/services it includes (Kusumaningrum & Hidayat, 2016:11919-11920), how the company is organised, the stages of development, the location/s, and the vision and mission (Abrams, 2003:53).
3. **Industry analysis** refers to the assessment of the current business environment (O'Farrell *et al.*, 1998:17). There are three primary business tools recommended to identify the internal and external factors that directly impact the business (Srdjevic *et al.*, 2012:3382):
 - 3.1. *PESTLE analysis* groups the factors into six categories: political, economic/financial, social, technical, legal, and environmental (PESTLE).

This analysis shapes the foundation for the identification of opportunities and threats in the SWOT analysis (Perera, 2017:2),

- 3.2. *The SWOT analysis* (Strengths, Weaknesses, Opportunities, Threats) is a framework used to classify critical environmental factors, both internal and external to the business (Pickton & Wright, 1998:101)
- 3.3. *Porter's 5 Forces* is mainly used to analyse the organisation's competitive environment. The model consists of 5 elements: (1) threat of new entrants, (2) Bargaining power of suppliers, (3) Threat of substitute products, (4) bargaining power of buyers, and (5) rivalry among existing competitors (Porter, 1989:133-134)

4. **The target market** describes the particular group of consumers at which the product or service is aimed, the existing and foreseen future trends, the consumer need, and the gaps in the market (Gruber *et al.*, 2008:1653).

5. **Competitor analysis** refers to the competition the company faces, the market structure, market segmentation and differentiation, and a unique selling point (USP) (Sutherland & Canwell, 2004:255-256)

6. **Marketing and sales strategy** are a combination of long-term and short-term planning, whereas marketing contains long-term objectives and sales consists of short-term objectives. The holistic strategy includes, but is not limited to, the markets, competition, positioning, promotion, pricing, and customer service (Hawkins & Mothersbaugh, 2010:11-12).

7. **Operations** will discuss the day-to-day functions of the business, which includes the facilities, location, lease, production, human resources, quality control, equipment, inventory, research and development, financial control, health and safety, insurance and legal, and regulations and environmental control (Abrams, 2003:155-160).

8. **The management team** section describes the key managers, the methods of management, their skills and capabilities, and previous business experience (Der Foo *et al.*, 2005:287).

9. **Goals and objectives** refer to the milestones of the business and when they should be reached. Goals and objectives will be constructed based on the SMART method. The SMART method is the process for developing specific, measurable, attainable, relevant, and time-bound (SMART) objectives (Bjerke & Renger, 2017: 125).

10. **Financial planning and information** is the process of forecasting all cash in and outflows relevant to the analysis of a business opportunity in order to guide financial decisions in this regard (Gansel, 2005:2). According to Gansel (2005:2), the essence of the financial planning process is based on future outcomes, and consists of 3 core components:

- i. Planning of the income statement.
- ii. Planning of the balance sheet.
- iii. Planning of the cash flow statements.

The completion of the above-listed components requires the following financial planning elements:

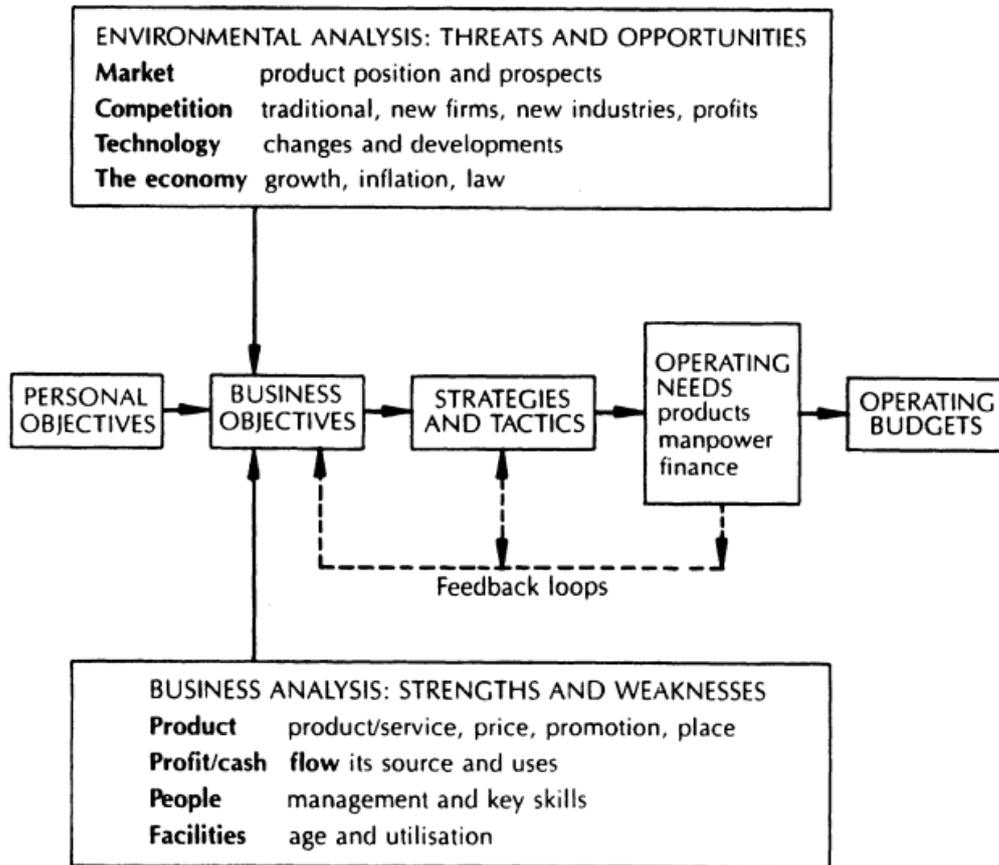
- i. Planning of revenues.
- ii. Planning of related expenses.
- iii. Planning of investments (nonrecurring investments).
- iv. Planning of capital requirements (nonrecurring investments and recurring expenses).
- v. Planning of financing (Gansel, 2005:3).

11. **Risks** assessment constitutes the identification, evaluation and prioritisation of possible risks that the business might face, accompanied by proposed resources that can be used to eliminate, minimise or control the probability of the realisation of these risks (Zur Muehlen & Ho, 2005:455).

12. **The conclusion** will interpret the problem statement of this study based on the evidence from the literature review (Faryadi, 2012:114).

Burns (1996:181) summarises the planning process of a business plan diagrammatically, as shown in Figure 2.1 below:

Figure 2-1: The business plan planning process



Source: Burns (1996:181)

2.1.4. DO FORMAL BUSINESS PLANS MATTER?

Throughout the research that was conducted for this study, the question remains: Do formal business plans matter? (Mazzarol, 2014). Several studies have been conducted on this topic, and the majority of them show a positive relationship between a written business plan and a successful business (Perry, 2001).

2.2. OVERVIEW OF ADVERTISING

2.2.1. WHAT IS THE DIFFERENCE BETWEEN MARKETING AND ADVERTISING, AND HOW DO THESE TWO CONCEPTS RELATE TO MODERN BUSINESS?

As technology continues to evolve vast and fast, its added value has grown immense, and modern businesses are using this to their advantage through employing various marketing and advertising tactics to reach their prospective target audience. Due to the effectiveness of marketing and advertising, companies are making use of all forms of marketing channels, from traditional media to social media (AMA, 2020).

Although marketing and advertising are sometimes used interchangeably, they can be easily differentiated. Defined in the most basic terms, advertising is merely a component of marketing (AMA, 2020).

According to van Rensburg (2008:130), marketing is considered an essential management function in any business, whether it be a profit or non-profit organisation, no matter the size. The American Marketing Association defines marketing as follows: "Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large" (AMA, 2017). Whilst some people might perceive marketing as advertising, and others might think that it involves the selling of products and services, marketing entails the entire process to transfer goods and services from the business to the end-user (Botha *et al.*, 2012:134-135).

Broderick (2005:4) describes marketing communications as a holistic word that takes into consideration all the elements of the promotional marketing mix. These include all communications between the business and its target audience that affects marketing performance. Communication is conveying, obtaining and processing information (Baack *et al.*, 2014:18). Communication occurs when the receiver understands the information, idea or message that is transferred by an individual, a group or a business. Thus, communication plays an essential role in an advertising or marketing campaign.

Figure 2.2 below shows a graphic illustration of the marketing process (Taylor, 2019), note that the fifth step refers to the marketing mix. The marketing mix discusses the four P's: Product, Price, Place and Promotion. After the product has been developed, the selling price has been calculated, the line of distribution has been confirmed, then the product has to be promoted (Botha *et al.*, 2012:256-258).

Figure 2-2: A map of the marketing process



Source: Taylor (2019)

“Promotion can be defined as a collection of activities and methods used by the business to communicate primarily with its customers but also with all other parties of importance including staff” (Cant *et al.*, 2013). Businesses use the promotion variable to create the optimal promotional mix to communicate one of the following three objectives to their target market (Nieuwenhuizen, 2014:162-163):

- To inform the target audience of your product and/or service as a means to generate awareness.
- To encourage the target audience to buy your product and/or service.

- To remind your target audience about your product and/or service and its unique characteristics.

Advertising thus forms part of the promotional mix, which puts the earlier statement “advertising is merely a component of marketing” (see page 1, paragraph 2) into perspective.

Figure 2-3: The role of promotion in the marketing mix



Source: Adapted from Lamb *et al.* (2004:315)

As seen in Figure 2 above, advertising is the first promotional tool in the promotional mix. The American Marketing Association (AMA, 2020) identifies the term advertising as the public display of announcements, by an advertiser, to a specific target audience, as a means to inform or encourage these members regarding its product or service delivery. Advertising is considered a non-personal communication tool between the business and the consumer, which is paid for (Botha *et al.*, 2012:257).

In summary, marketing consists of the entire process of identifying customer needs and fulfilling those needs, whilst advertising refers to the execution of promoting that product, service or idea to the identified target market, via paid channels (AMA, 2020).

2.2.2. WHAT IS ADVERTISING?

“Advertisements are selling us something else besides consumer goods: in providing us with a structure in which we, and those goods, are interchangeable, they are selling us ourselves.”

Judith Williamson (1978:13)

Nieuwenhuizen (2014:163) defines advertising as a paid form of communication, directed at a broad target audience, that delivers a message about a product, service or idea, without personal contact. Cant *et al.* (2013:444) argue that advertisements are not only to communicate a message but that the message is strategically planned to influence the attitudes and behaviour of a broader audience. Vitale (1995) writes that advertising is one of the most significant expenses of a business, but it is imperative. Without advertising, a business barely has a chance of survival. He emphasises the fact that a business can still fail if the advertising is done poorly.

The word ‘advertisement’ originated from the Latin verb ‘advertere’ which means ‘to turn towards’ (Goddard, 1998:6). In other words, for an advertisement to be effective, it must first be noticed and then remembered. The message of the advertisement should be structured in such a way that it incites an action, e.g. a purchase, a change in brand loyalty, or, at least, nestle in the consumer’s long-term memory (Baack *et al.*, 2014:132).

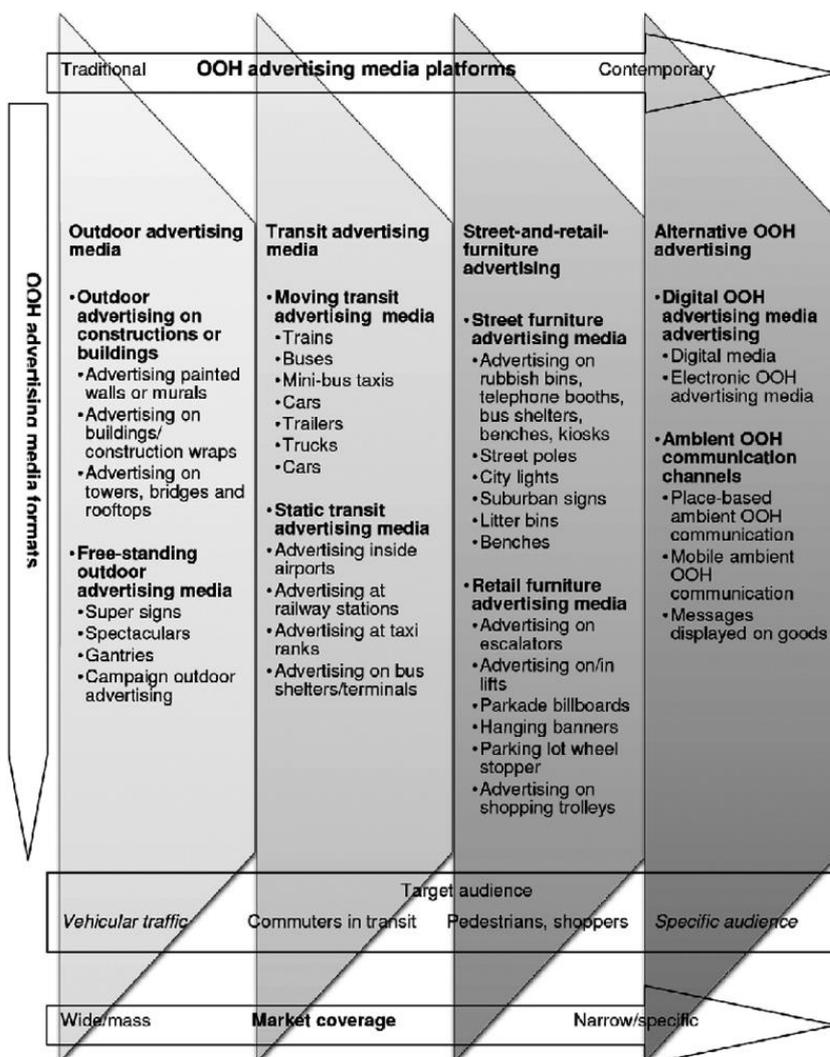
An average person encounters at least 600 advertisements daily through a variety of media (Baack *et al.*, 2014:132). Television and radio are the most common forms of advertising, besides billboards (out-of-home), magazines and newspapers. More recent technology inventions offer additional ways to advertise through the internet, a variety of social networks and mobile phone apps.

Out-of-Home (OOH) advertising media, which is the focus of this study, forms part of the promotion or marketing communication element of the marketing mix. OOH media is one of the most recognised historical advertising formats (Schaeffler, 2008:11). It is well-known that, before the advertising industry was modernised, former advertising formats comprised of primitive types of signboards (Park *et al.*, 2011:35). OOH media is considered to be the oldest form of mass marketing. It originated from the need to

publicly display or communicate some form of a message to the broad public (Du Plooy, 2013:1). One of the most significant advantages of OOH media is the vast exposure it presents to drivers and pedestrians, as a means to accomplish adequate consumer exposure (Roux & Van der Waldt, 2016: 386-388, Taylor *et al.*, 2006:21-34).

Figure 2.4 below demonstrates the two main formats of OOH advertising media, with examples for each of the groups, together with an indication of the primary intended audiences.

Figure 2-4: Classification of the OOH advertising media in South Africa



Source: Roux and Van der Walt (2016:387)

Two types of advertising do not form part of OOH advertising, i.e., cinema advertising and sales promotions. Cinema advertising is considered a broadcast (traditional

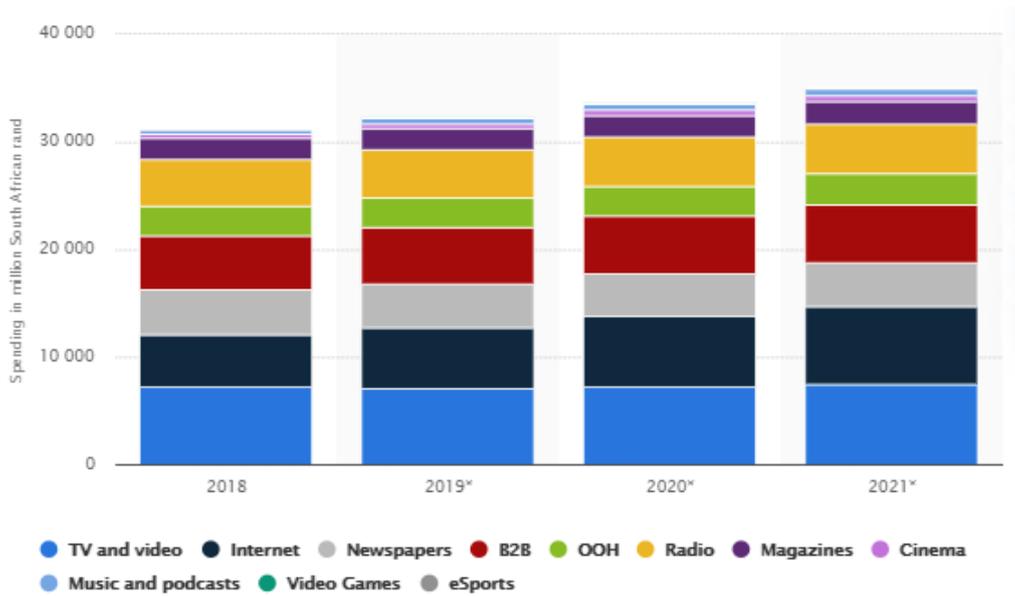
medium) whilst sales promotion is considered to be part of the traditional promotion (Roux *et al.*, 2013:6). Further to the above, store signage space that is used by the store owners, falls outside the scope of OOH advertising media.

The left side of the figure shows the oldest, most traditional or original platform for OOH advertising media, whilst the right-hand side shows the most contemporary or modern platform. The platform mentioned above includes electronic and digital elements, as well as 'ambient' OOH media. 'Ambient' is a word generally used by advertisers or clients, and agencies, but due to the 'newness' of the word, there exists some uncertainty of what it portrays. The word started to appear in literature after it was first used in 1996 by a United Kingdom advertising agency specialising in outdoor campaigns, Concord Advertising (Luxton & Drummond, 2000:735). The word originated from a need to apply a single term to the increasing requests from advertisers/clients, such as 'something different', or 'an advertisement with bite'. These requests inspired agencies to come up with innovative ideas such as placing advertisements on floors, petrol pumps; petrol pump handles and on the back of toilet doors (which was previously considered a ground-breaking location for advertisements). Campaigns like these surpassed the existing (and boring) ways such as television, radio, door-to-door prints, among others. Hence, a new term was introduced to the fast-growing industry.

Over the next decades, OOH advertising media will continue to diversify due to its cost-effectiveness, and the large customer reaches it presents, which is an ideal motivator for integrated marketing communication (IMC) campaigns (Lopez-Pumarejo & Bassell, 2009:33-40).

The Statistics Portal (Statista, 2019) released a forecast survey in October 2019, indicating the projected growth in the advertising industry of South Africa for 2018-2021:

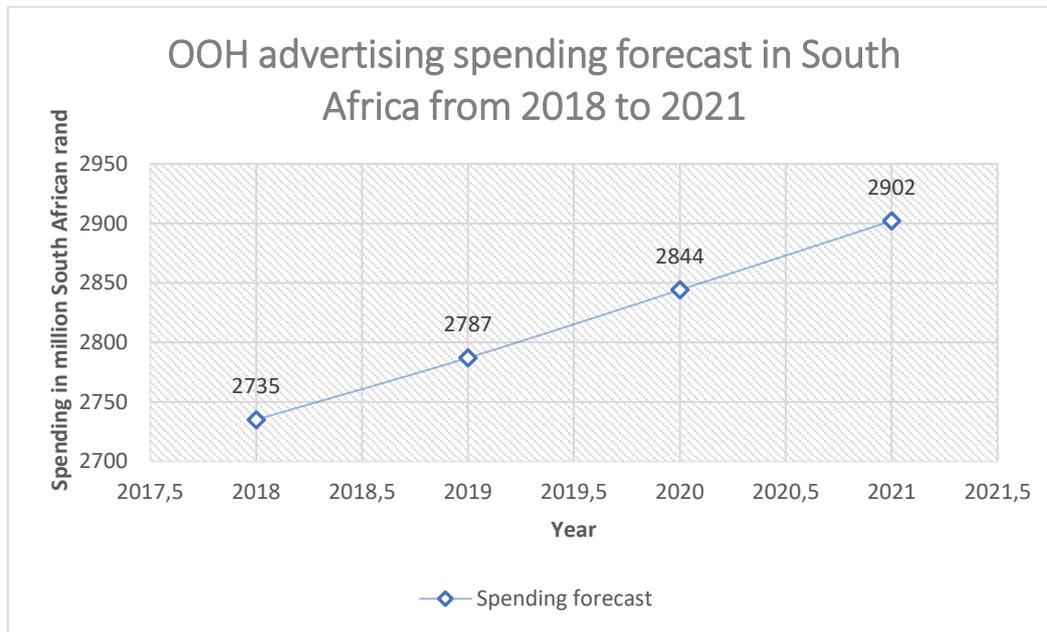
Figure 2-5: Advertising spending in South Africa from 2018 to 2021 (in million South African Rand)



Source: Statista (2019)

According to Statista, the projected advertising expenditure on OOH advertising will increase exponentially from 2018 to 2021. The figure below illustrates the expenditure by the specified medium:

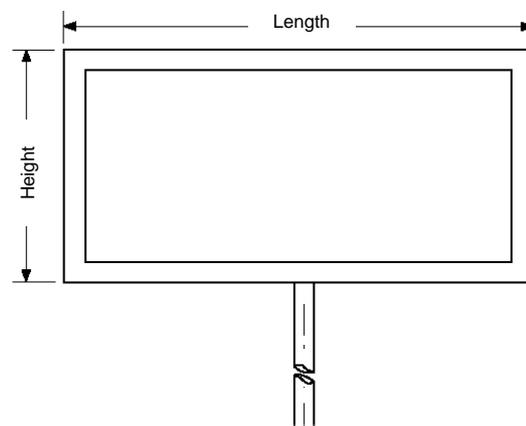
Figure 2-6: Projected advertising expenditure on OOH in South Africa from 2018 to 2021



Source: Statista (2019)

The standard billboard sizes in South Africa are listed below (all height x length) (OHMSA, 2020), but only billboards larger than 3m x 12m are classified as large format billboards (Primedia Outdoor, 2020):

- 3,6m x 2,5m
- 3m x 2m
- 3m x 6m
- 3m x 12m
- 4,5m x 18m
- 9m x 6m
- 12m x 12m



Source: SignValue

There are different types of static billboards, the South African Manual for Outdoor Advertising Control (SAMOAC, 2010) created classification groups according to the different sizes of the billboards, for this study, the focus will be on the following categories:

1. 1(a): Gantry billboards:

A Gantry Billboard is a double-sided billboard panel positioned on a gantry structure that spans the entire width of the road. There are two basic gantry billboard formats:

- i. A portal gantry billboard is a structure supported by poles or pillars constructed on both sides of the road, with the advertising face hanging over the road. Gantry structures support billboards ranging between 18m² and 81m².
- ii. A cantilever gantry also referred to as a butterfly gantry, is a structure supported by a single or double pole in the middle of the road, and only spans across a part of the road.

A Portal Gantry Billboard



Source: SAMOAC (2010)

A Cantilever Gantry Billboard



Source: SAMOAC (2010)

2. 1(b): Large billboards

A large billboard is a free-standing advertising structure, excluding gantries, supported by a single or double pole, constructed on either side of the road. Any sign permitted by this classification, shall not exceed a maximum size of 81m² and a maximum overall height of 12m (SAMOAC, 2010).



Source: Jinja Outdoor (2020)

3. 1(c): Medium billboards

Medium Billboards range in size from 19m² to 40m² and are a widely used outdoor medium with a variety of formats such as 6 m x 4 m and 3 m x 12 m.



Source: Jinja Outdoor (2019)

4. 1(d): Small billboards

Small billboards include billboards between 9m² – 18m². These formats are a widely used outdoor medium and are usually constructed as a double-sided billboard panel with 3m x 6m proving to be the most common format (SAMOAC, 2010).



Source: Jinja Outdoor (2017)

5. 2(c): Wall Signs

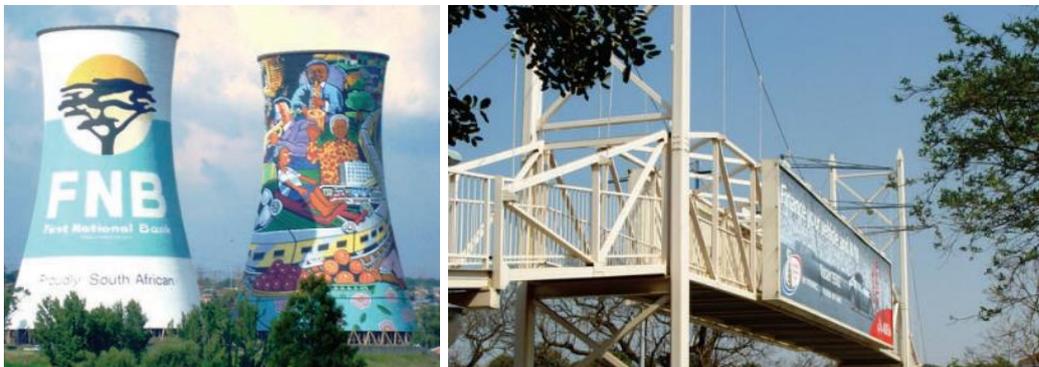
This class consists of signs which are affixed to any external or main wall of a building used for commercial, office, industrial or entertainment purposes, excluding a parapet wall, balustrade or railing of a veranda or balcony of such a building (SAMOAC, 2010).



Source: Jinja Outdoor (2020)

6. Class 2(i): Advertisements on Towers, Bridges and Pylons

These structures are signs that are fixed to or painted on towers (including cellular towers, water towers and radio towers), bridges and pylons, which are primarily used for advertising purposes (SAMOAC, 2010).



Source: SAMOAC (2010)

This study offers a business plan to successfully manage a business in the OOH advertising industry, as an OOH media owner. The next chapter will include a detailed analysis of the internal- and external environment of the before mentioned business in Gauteng, South Africa.

In Chapter 3, the four central departments of a business will be briefly discussed, including marketing, finance, human resources, and operations. This overview will be followed by an analysis of the global and macro-context using several methods, including the PESTLE-Analysis, Porter's Five Forces, an industry analysis, a competitor analysis, and a customer analysis.

An internal analysis will be conducted using a situation analysis, a micro-and macro-analysis, a product analysis, the Ansoff Matrix, and internal value-chain analysis and strategic analysis. The recommendations based on this analysis will be used to compile the business plan in Chapter 4.

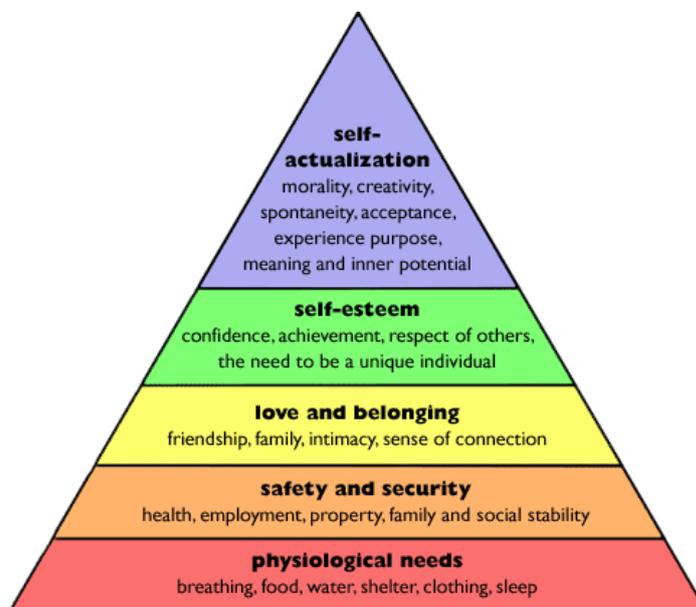
CHAPTER 3: AN OVERVIEW OF THE ORGANISATION

3.1 INTRODUCTION

Van Rensburg (2008:2) noted that the main reason behind the establishment of a business lies in the aspirations of humankind to maintain a better living standard. In other words, businesses are established to create a channel through which goods and services are rendered to satisfy customer needs. Profit is generated by satisfying client needs in a significant way, which in turn improves the living standard of all parties involved: the business owner, its employees, and the customer.

Abraham H Maslow (1943:370) is well-known for the hierarchy of needs he developed in the mid-1900s, which is a basic model of man's needs. The five proposed needs, as shown in the hierarchy, is the result of Maslow's research into human behaviour (Botha & Musengi; 2012:4). According to Maslow's theory, man fulfils his needs from the bottom of the hierarchy upwards, and although many of these needs are on an ongoing basis, motivation lies in those needs that are not yet satisfied (Van Rensburg, 2008:2).

Figure 3-1: Maslow's Hierarchy of Needs

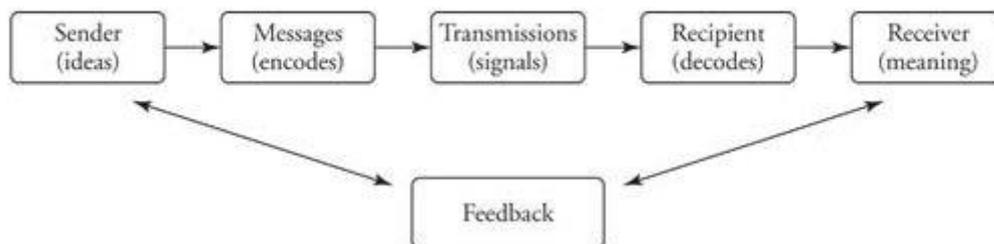


Source: Maslow (1943:370)

The global marketplace is a rapidly changing environment, consisting of a large number of competitors, battling for customers (Baack *et al.*, 2014:17). A large variety of media communication tools are available to these companies, as a means to get their message across to current and prospective customers, regarding their products and services. These marketing methods range from large format billboard advertising space to multilingual global websites. Brennan *et al.* (2014:4) define advertising as a complex form of communication that is strategically implemented with particular objectives, and a means to impact the thoughts, feelings and actions of customers.

The nature of communication is based on the practice of transmitting, receiving and processing information, and plays a crucial role in any advertising or marketing campaign. When companies attempt to communicate a specific message to their customers, communication occurs once the receiver understands the information portrayed in that message (Baack *et al.*, 2014:18), as shown in the figure below:

Figure 3-2: The communication process

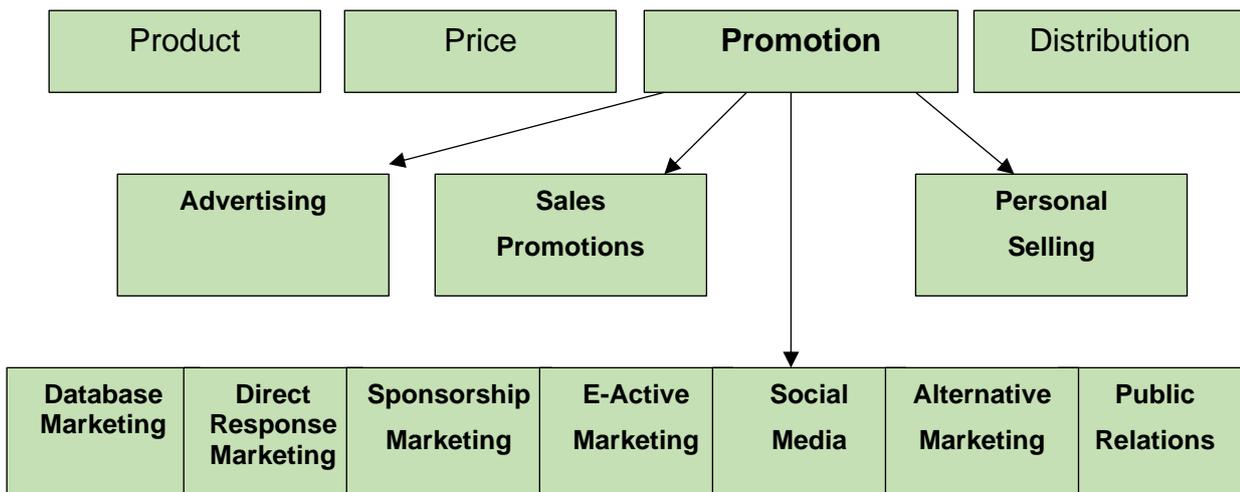


Source: Baack *et al.* (2014:18)

Since its introduction to the development of marketing theory and practice, the marketing mix management paradigm has dominated marketing thought and research (Goi, 2009:2). The four elements that were initially included in the 4P's of the marketing mix was: product, price, promotion (marketing communication) and place. However, a more complete and comprehensive approach has been suggested, that takes a broad, integrated perspective on marketing as a holistic concept, known as integrated marketing communications. According to Kotler and Keller (2006:19), an integrated marketing communications strategy is focused on choosing marketing communication media options that not only complement each other but also reinforce one another.

The marketing mix (4P's) is the starting point of the traditional framework of marketing promotions, which, for years, only included advertising, sales promotion and personal selling activities. Taking the integrated marketing communications (IMC) into consideration, this framework has been expanded to include online and alternative methods of communication (Baack *et al.*, 2014:17). The components of promotion are illustrated below:

Figure 3-3: Components of promotion



Source: Baack *et al.* (2014:17)

The ever-changing marketing environment has left the marketing communication environment fragmented between traditional and non-traditional advertising media (Griffith, 2016:22). As a result, modern marketing had to introduce several communication options to enable companies to get their message to their target audience effectively. Keller (2001:819) suggested that researches should make a more significant effort at studying the market, and marketers should support their brands through the implementation of integrated marketing communication (IMC) methods.

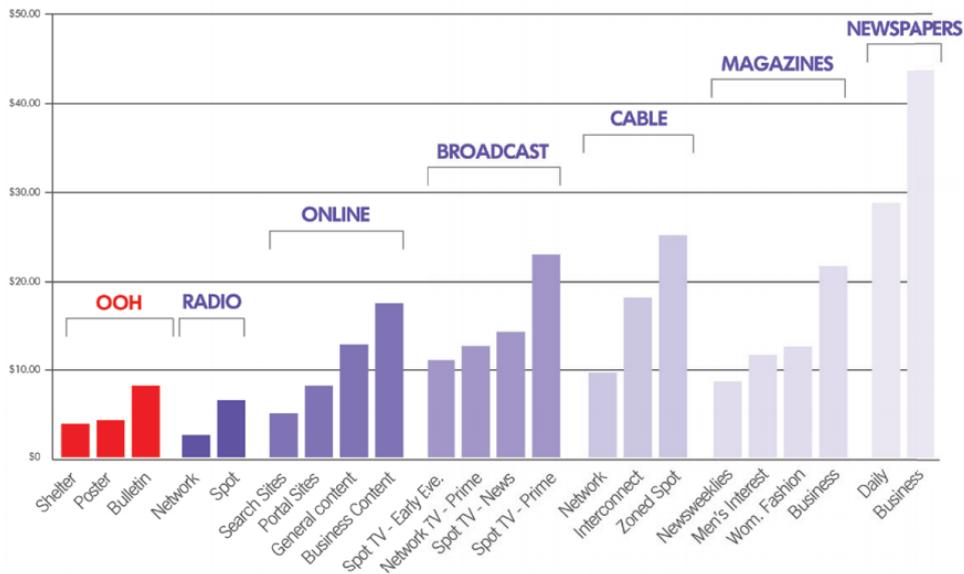
Media synergy is considered a key element in the changing media landscape, which motivates the reconsideration of media planning going forward. Future marketers will be faced with the challenge of understanding how the different media platforms interact among and between each other, and how they are processed by the consumer (Schultz, 2006:25).

Traditional advertising media continues to play an imperative role in the development of an IMC program (Baack *et al.*, 2014:222). Traditional advertising includes television-, radio-, and printed advertising and can be defined as a paid form of communication with persuasive intent, that is broadcasted on mass media to reach a broad audience, and to:

- a) Connect a specific sponsor with their target audience(s).
- b) Share information about their products and services.
- c) Communicate the critical features of their offering in line with the needs and wants of their consumers (Moriarty *et al.*, 2012:7).

According to the Out-of-Home Advertising Association of America (OAAA, 2013), global econometrics studies have repeatedly shown that out-of-home (OOH) advertising is by far the most affordable mass media tool there is. This includes a dynamic mix of billboards, digital displays, transit, street furniture, cinema and place-based media, of which billboards are the most common form. The cost to reach 1,000 people online can cost up to \$17,50 per thousand impressions, magazines cost up to \$21,00 per thousand impressions, and television broadcast varies between \$22,00 - \$25,00 per thousand. OOH advertising delivers the same audience at a fraction of the price, varying between \$3,38 and \$8,65. The only traditional communication tool that comes even close to OOH is radio.

Figure 3-4: Cost per thousand comparisons



Source: OAAA (2013)

The OOA also noted that OOH provides a very high return on investment (ROI) at \$1 spent on OOH advertising resulting in \$2,80 in sales. While most media planners are aware of the cost-effectiveness of OOH advertising, they do not fully comprehend the fact that OOH drives consumers to small screens, i.e. television and mobile phones. The research found that when OOH is added to a media plan, it increases the reach by 18% for television and 316% for mobile phones.

Billboard companies, or billboard media owners, own billboards situated next to roadways that display advertising messages to passing motorists. Billboard owners either buy a billboard from another owner, or they erect the billboard by obtaining the necessary approvals from the governing municipalities under the applicable Outdoor Advertising By-laws.

The revenue of a billboard company is driven by advertisers with a need to display a message by employing mass marketing techniques. The most critical motivation behind the demand for billboard advertising space is the location of the billboard, the visibility of the billboard from the road and the traffic counts or the number of cars passing by. The scarcity of supply in certain areas, due to the barriers of entry (i.e. municipal

approvals, ample time of construction, high costs, landlord approvals, among others), increases the cost of the advertising space (Wright, 2003).

3.2 STRATEGIC OVERVIEW

It is argued that strategic management is the management of an organisation as a whole (Jiang, 2009:153), and can be defined as the process of formulating, implementing and evaluating cross-functional decisions that empower an organisation to not only achieve its long-term objectives but also to create a competitive advantage (Botha & Musengi; 2012:305). Every organisation is unique and requires specific necessary departments or functional areas, so it is nearly impossible to apply a 'one size fits all' approach.

Although many arguments exist regarding the necessary departments of a business, it is well-known that the four most important functions for the long-term development of a business involve marketing, human resources, operations and finance (Jiang, 2009:153). Pegels (1991:7) notes the importance of the integration of all functional departments, as studies have shown a more significant competitive advantage in organisations that follow the "overlapping approach".

For this study, the focus will be aimed at the four aforementioned functional areas, which will be discussed in detail in the context of the OOH billboard industry.

3.2.1 OPERATIONS MANAGEMENT

The term 'operations' refers to all the internal processes involved to deliver the end products and/or services to the customer (Botha & Musengi; 2012:285). Operations, as a business function, is responsible for the management of the resources required to deliver the products and/or services. In terms of an established organisation, operations are essential, not only to transform the inputs into sellable goods or services but also to add value, to operate at maximum productivity and to always seek for more effective and efficient ways (Nieuwenhuizen, 2014:192-195). Nieuwenhuizen defines primary operational management functions as follows:

- Product and service design,
- Demand and capacity planning,
- Operations system design,
- Production planning and control,
- Improvement, problem-solving and maintenance

The operations of a billboard company can be divided into three main categories:

| Billboard Development | Billboard Administration | Billboard Maintenance |
|---|---|---|
| <ul style="list-style-type: none"> • Identify desired location • Conduct a feasibility study • Obtain approval from the landlord • Find eligible joint venture partners (where applicable) • Obtain approval from the governing authority • Construction of the billboard | <ul style="list-style-type: none"> • Manage billboard advertising space • Printing and installation of advertising banners • Manage existing approvals, landlord- and joint venture agreements | <ul style="list-style-type: none"> • Upgrade and maintain structures in accordance with local and industry standards |

3.2.1.1 BILLBOARD DEVELOPMENT

There are two options to becoming a billboard media owner, the first option is to buy an erected billboard from another owner, and the second entails the erection of a billboard on land leased by the owner of the specified property or on land that is owned by the media owner itself (Sherman, 2019). Both of these options have proved to be profitable, but choosing the wrong location will have a detrimental effect on the success of the business.

3.2.1.1.1 BUYING AN EXISTING BILLBOARD

The value of a billboard is primarily based on the consumer reach it presents to the advertiser. When the procurement of an existing billboard is considered, the following should be taken into account (Sherman, 2019):

- The visibility of the billboard.
- The traffic passing by the billboard.
- The demographics of the audience (i.e. next to a college or a business park).
- The number and quality of the competing billboards in the area.

3.2.1.1.2 ERECTING A NEW BILLBOARD

Any advertising signs that are visible from a public road or place needs to be approved by the Council, and if it is visible from a national road, SANRAL needs to approve it as well. Advertising signs that are seen from a provincial road need Provincial Roads' approval (OHMSA, 2020). A billboard owner needs written consent before any sign is erected and needs to comply with the municipal by-law provisions for outdoor advertising control. The basic process for erecting a billboard can be summarised as follows:

Figure 3-5: Billboard erection process



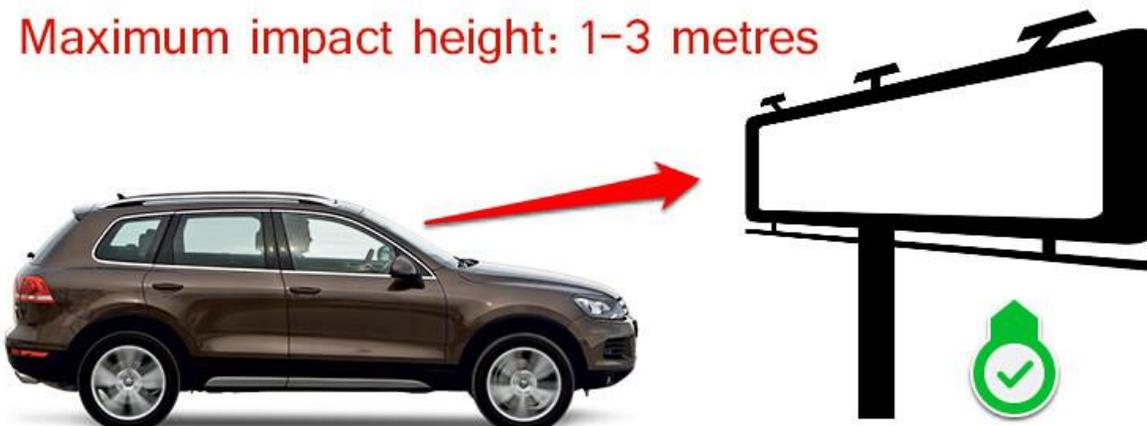
Source: Created by the researcher

A. IDENTIFY THE LOCATION OF THE BILLBOARD

Advertisers occupy billboard spaces with a need to communicate a particular message to a specific audience; therefore, the best way to decide on the perfect billboard location, is to think like an advertiser. Paul Inman, from an advertising agency called 75 Media (Inman, 2016), listed seven factors advertisers consider when choosing the best-suited billboards for their campaign:

- The visibility of the billboard: This takes into consideration the height of the billboard and whether it is readable, whether the billboard is front-facing, and any obstacles that might block the creative from a distance.

Figure 3-6: The visibility of a billboard



Source: Inman (2016)

- Traffic count of location: Although this might seem like apparent customer demand, it can be tough to obtain these figures. Several different traffic counting software has been introduced to the industry, but they can be costly, which is something billboard owners need to keep in mind. SANRAL also provides several traffic counting locations at no cost, which can be used to a billboard owner's advantage.
- Audience demographics: Advertising is essential, but it needs to be effective. Knowing and understanding your target market is the fundamental building block to effective marketing. Advertisers also use a marketing tool called Living Standards Measure (LSM), which refers to the standard of living and disposable income of people, where 10 is the highest and 1 is the lowest.
- Residential or commercial based area: Both of these options are good, it just depends on the type of customers you want to attract. Billboards located at

business park are mostly seen by the same people, whereas residential areas have a more extensive customer reach.

- Proximity to the place of business: If a business is mostly dependant on local customers, the billboard advertisement should be as close as possible to that business, i.e. McDonald's.
- Typical intent: Traffic count and customer reach are both general terms when planning advertising campaigns. While traffic count refers to the number of cars passing by the advertisement in question, customer reach refers to the number of customers that have been exposed to the advertisement (Chance, 2018). Typical intent refers to the importance of the reach that lies in the traffic count. Does the reach present the target market, furthermore, are the customers reached a point of decision?
- Rush hour traffic: Advertisers prefer billboards at prime traffic locations; these are typically located on busy highways, main roads and intersections.

In conclusion, the occupancy rate of billboards is driven by their locations. It is critical to choose the best locations to erect new billboards, and thus ensure the success of the company.

B. GET THE APPROVAL OF THE LANDOWNER

If the billboard is not erected on land owned by the media owner, an acceptable lease agreement needs to be put in place. An independent site appraisal can be conducted to reach an acceptable offer, or the landowner can name his/her price. As a general rule of thumb, landowners take the estimated net revenue from the site and multiply it by between 15% - 20%, where the higher rate applies to prime billboard locations (Inman, 2019). Either way, the billboard company needs to present an offer that includes the details relating to the length of the lease agreement and the proposed rental income to the landlord.

C. IDENTIFY A JOINT VENTURE PARTNER (IF APPLICABLE)

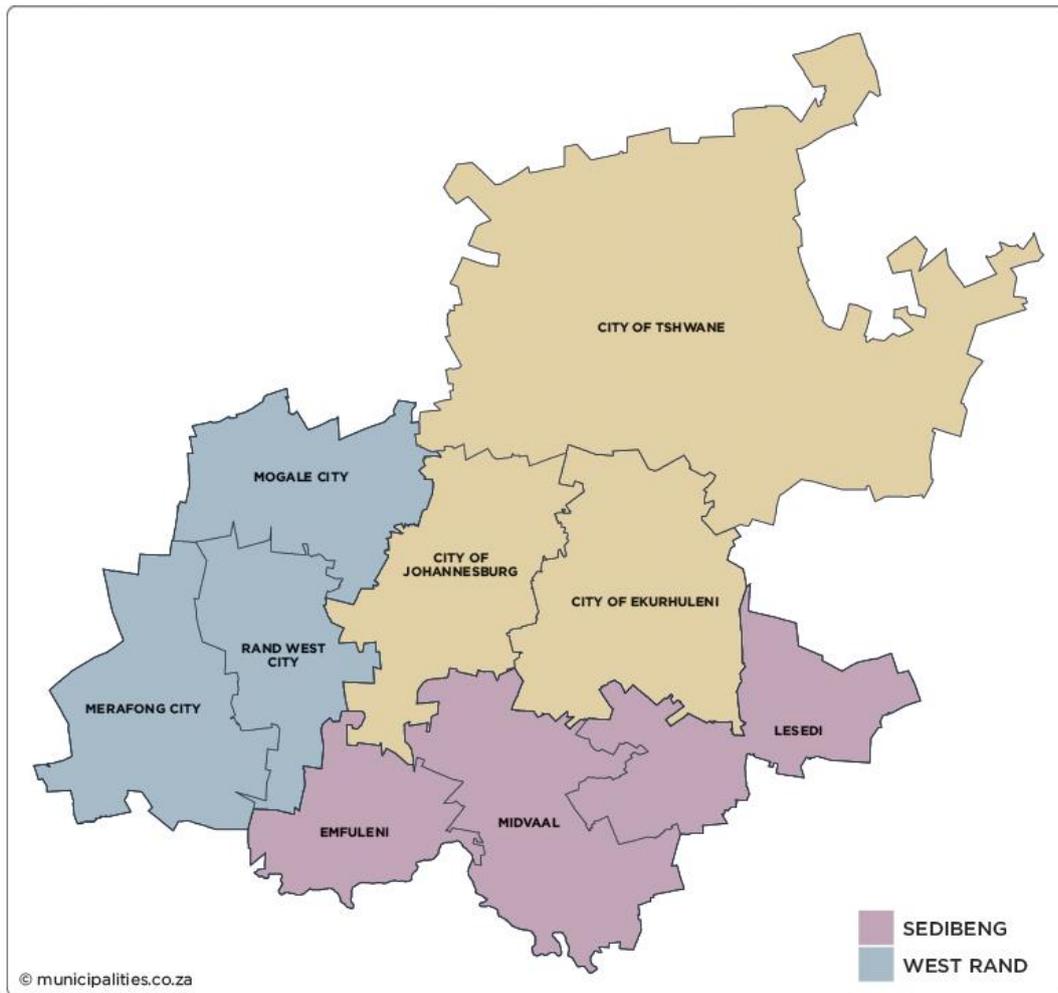
A joint venture is a temporary partnership formed by two or more companies that mutually benefits by sharing all applicable costs, risks and rewards. The main reasons for the formation of a joint venture include financial support, business development, and the development of new products or penetrating new markets (Hargrave, 2020).

D. BILLBOARD APPLICATION PROCESS

Advertising boards on or visible from national roads used to be regulated by Act 54 of 1971, which stated that no (or limited) advertising signs were to be erected next to a national public road nor in the road reserve of any road. Local Authorities were given control over the “erection and the display of advertisements in public places” by Section 1256 and Part B of Section 5 of the Constitution (du Toit, 2001).

The Local Authorities were responsible for creating By-laws as a means to regulate advertising signs in their immediate area of jurisdiction. These include the following municipalities:

Figure 3-7: Gauteng Municipalities



Source: Municipalities of South Africa

In 1998, the South African Manual for Outdoor Advertising Control (SAMOAC) was published and stated that advertising signs were permitted along roads, but only in specified areas and under strict rules and regulations.

As Local Authorities created their By-laws based on SAMOAC, the South African National Roads Agency Limited (SANRAL) promulgated its own regulations under SAMOAC, named “Regulations on Advertising on or visible for National Roads 2000”. SANRAL decided that the implementation of these regulations would require consultants to assist in the evaluation of the applications and to provide recommendations on which applicants should be approved (du Toit, 2001).

Outdoor advertising by-laws were created to provide a regulatory framework for all types of outdoor advertising, to provide rules and regulations for outdoor advertising structures on both Municipal and private property, to offer health and safety measures to the public, to protect the environment, to offer a platform to repeal laws about the industry, and to provide for matters incidental to that (Ethekewini Municipality, 20198:6).

The By-laws for the Gauteng Municipalities can be found at the following locations:

Table 3-1: By-laws for municipalities in Gauteng

| Municipality | By-laws |
|-----------------------|---|
| City of Ekurhuleni | https://www.ekurhuleni.gov.za/council/by-laws-policies/by-laws/ekurhuleni-by-laws-1/3011-billboards-and-display-of-advertisements-by-laws/file.html |
| City of Tshwane | http://www.tshwane.gov.za/sites/Departments/CME/Pages/Outdoor-Advertising.aspx |
| City of Johannesburg | https://www.joburg.org.za/documents_/Documents/By-Laws/Application%20procedure%20for%20advertising%20signs.pdf |
| Lesedi Municipality | https://www.lesedilm.gov.za/files/BY-LAW%20SIGNS%20AND%20ADVERTISING%20HOARDINGS.pdf |
| Midvaal Municipality | https://midvaal.gov.za/files/local%20laws/Outdoor_Advertising_By-law.pdf |
| Emfuleni Municipality | http://www.ward5emfuleni.co.za/wp-content/uploads/2017/02/advertising_signs.pdf |
| Rand West City | http://www.randwestcity.gov.za/docs/key-docs/2016-2021%20IDP.pdf |
| Merapong City | https://www.joburg.org.za/documents_/Documents/By-Laws/Application%20procedure%20for%20advertising%20signs.pdf |
| Mogale City | https://www.mogalecity.gov.za/wp-content/uploads/Pdfs/Council%20Page/By-laws/Outdoor%20Advertising%202002.pdf? t=1554286301 |

As previously noted, the regulations of outdoor advertising are contained in the by-laws of the governing Municipality in each area, and the latest approved by-laws should be

obtained from them. Note that a distinction is made between various forms of signage (Specialized Graphics, 2018):

- Outdoor signage on private property (a permanent structure with fixed information).
- Outdoor signage on private property to rent out advertising space (a permanent structure with changing information).
- Outdoor signage on Municipal property.
- On-premises business signage.
- High impact Outdoor Advertising Signs.
- Outdoor signage for a Home-undertaking.
- Auction Posters (This includes correx board posters).
- Real Estate Agent signs (This includes correx board posters).
- Event/promotional Posters (This includes correx board posters).

An informal consultation (at the applicable Municipality) is strongly advised before applying, to find out more about the following:

- The area of control or zoning of the proposed site refers to the degree of advertising control that is applied by the governing Municipality and is categorised in three groups: maximum-, partial- or minimum control. The areas of control are mainly determined by the visual sensitivity of the sign and the traffic safety conditions of that area (City of Johannesburg, 2009:1).

Table 3-2: Classifications of areas of control

| Maximum | | | Partial | Minimum |
|--|--|--|---|---|
| Natural Landscape | Rural Landscape | Urban Areas | Urban Areas | Urban Areas |
| Game reserves, Nature reserves, Marine reserves, Wilderness areas, Extensive agriculture, Agriculture holdings, Scenic corridors, Scenic | Intensive agriculture area, Subsistence agriculture, Peri-urban smallholdings, Undeveloped /vacant | Natural open spaces in urban areas, Urban conservation areas, Vacant/ undeveloped urban space areas, | Commercial enclaves in residential areas, Shopping centres, Suburban shopping centres and office parks, | Concentrated economic activity, commercial districts, industrial areas and industrial parks, Office precincts along |

| | | | | |
|-------------------------------|---|---|---|---|
| landscapes, National parks | agriculture land where the surroundings is still vacant and undeveloped | Interface of natural landscape with built-in areas, Gateways as determined by relevant authorities, Residential areas/ properties, Bodies of water/ rivers, Ridges, Forests, Open recreational areas, Architectural and history sites, Characteristic vistas, Heritage and protected areas/ sites, skylines | Ribbon development, Educational institutions, institutional premises, sports fields, private open spaces or stadiums, commercialized squares, residential 1 properties with primary rights for offices in a commercial neighbourhood/ precinct, Government enclaves, smallholdings of urban nature. | urban highways, Institutions along urban highways only in an exclusive commercial neighbourhood or precinct, commercial enclaves and shopping centres in industrial areas and industrial parks, entertainment districts, prominent transport nodes. |
|-------------------------------|---|---|---|---|

Source: City of Johannesburg (2009:49-53)

- The type and classification of the outdoor advertising sign as permitted by the by-laws.
- The need to request the relaxation of any other regulations (i.e. building height restrictions).
- The approval of other advertising signs in the area.
- The chances of a successful application.

Although the by-laws are unique to every Municipality, the general process remains the same and can be summarised as follows:

Step 1: Submitting an application

All outdoor advertising applications must be handed in at the given department of the Municipality, and generally includes the following documentation, which may differ depending on the Municipality where the application is delivered:

- The prescribed application form as received from the Municipality.
- Proof of payment of the application fee.
- Written consent from both the billboard owner and the registered property owner upon which the billboard is to be erected, accompanied by the title deed (if applicable).
- A locality plan, indicating the proposed position of the advertising sign within the area of jurisdiction of the Council.
- A block plan (drawn to scale) of the property where the billboard will be erected.
- A superimposition of the proposed advertising sign.
- A surface area drawing indicating the distances between the proposed advertising sign and any other advertising signs in a 200m radius.
- A zoning certificate of the property upon which the advertising sign will be erected.
- A certificate by an engineer confirming the structural safety of the proposed advertising sign (if applicable).
- If the relaxation of any other regulations was submitted, proof should be attached to the application form.

It is important to note that an incomplete application will not be assessed and that the Municipality can not be held responsible for any costs involved. It remains the responsibility of the applicant to follow up on the outcome of the application.

Step 2: The evaluation process

The evaluation process is unique to every Municipality, but generally includes the following criteria:

- Is the application in agreement with the provisions as set out in the by-laws for the control of outdoor advertising?
- The degree of control in the zoning of the proposed site.
- The Municipality's policies regarding outdoor advertising.
- Road traffic safety considerations.

- The number of signs that have been approved.
- The visual impact of the sign on the environment (design and scale).
- Does the design comply with the prescribed design guidelines?
- The impact of the illumination of the signs on surrounding areas (if applicable).
- The social impact of the sign on the direct (i.e. tenants) and the broader community.
- The site inspection report.

The application process also allows the applicant to adjust certain aspects of the proposal based on recommendations from the evaluation committee, such as the position of the sign, the size of the sign, the height of the sign or perhaps an alternative location (Specialized Graphics, 2018).

Step 3: The decision of the application

The applicant will receive a written notice of the final decision, which may be one of three verdicts: approved, approved with special conditions or unsuccessful.

Step 4: Additional approvals

Some advertising sign may require building plan approval or the approval for the relaxation of building lines and height restrictions. These applications are made separately and at different departments of the Municipality.

Step 5: Period of validity of the approval

Once the application has been approved, the sign must be erected within three months, if this deadline is not met by the applicant, the approval lapses. Any deviations from the conditions will be considered an offence, rendering the approval null and void.

E. BILLBOARD CONSTRUCTION

According to Frank Rolfe, the co-founder of Billboard University, “building a billboard the correct way is essential to prospering in the outdoor billboard business” (Rolfe, 2020). Cogdell *et al.* (2013) summarised the design life cycle of a billboard in four steps: extraction, fabrication, assembly and removal.

The extraction process refers to the raw materials that are used to fabricate the steel for the billboard frame, i.e. iron ore, coal, and limestone. Steel is the most common material used to construct the frame of the billboard as it is considered strong enough to resist heavy winds, and light enough not to collapse under its weight. According to the Federal Highway Administration (2005:2), the common materials used are structural steel, structural steel weathering, steel tubing and aluminium. For the steel to be weather resistant, it needs to undergo some type of protective procedure, which is usually done by painting or galvanizing (the most common protection type). The galvanizing process includes three necessary steps: surface preparation, fluxing and then galvanizing. Concrete is used to secure the frame on the surface.

The erection process of the billboard structure can be summarised in a phased approach (Federal Highway Administration, 2005:14-37):

Phase 1: Shop inspection

A shop inspection is highly recommended to ensure that the structure was fabricated in line with the design drawings and that all the drain holes, bolt holes, connection details and welds are adequately executed. The configuration, alignment, and coating condition of the structure should also be inspected before it is transported to the construction site.

Phase 2: Preparation for erection

The contractor responsible for the erection of the structure should deliver the following documents to the owner:

- A complete set of the design drawings.

- Shop drawings.
- The name and contact details of the designer/consultant.
- The design calculations with the approval of a professionally registered engineer.
- The welding procedure specifications.
- The inspection reports.
- Copies of all the required material certificates (i.e. anchor rods, structural bolts, among others).

The erection contractor should compile a projected timeline schedule for construction, and a detailed plan for each part of the erection process, including the structures that will be assembled on site. Before construction begins, the separate parts of the structure should be inspected for any damages, including dents, damaged coatings, defective fabrications, among others.

The contractor should ensure that the concrete foundation is elevated to the correct level and that the anchor rods are placed in the corrects pattern and orientation as shown in the picture below:

Figure 3-8: Foundation for structure installation



Source: U.S. Federal Highway Administration (2005:17)

Phase 3: Erection procedure

The erection of a billboard usually requires at least one lane to be closed and may sometimes require a total road closure for a short amount of time, these types of traffic safety control measures need to be in place before erection.

The actual erection process begins when the levelling nuts are placed on top of the concrete. The frames are then erected on the anchor rods, either as a post frame or complete frame, after which the base plate is levelled by the levelling rods. The anchor rod nuts are properly tightened, allowing the cranes to release the frame. With only the post-erection retightening of the anchor rods left to do, the erection is now complete.

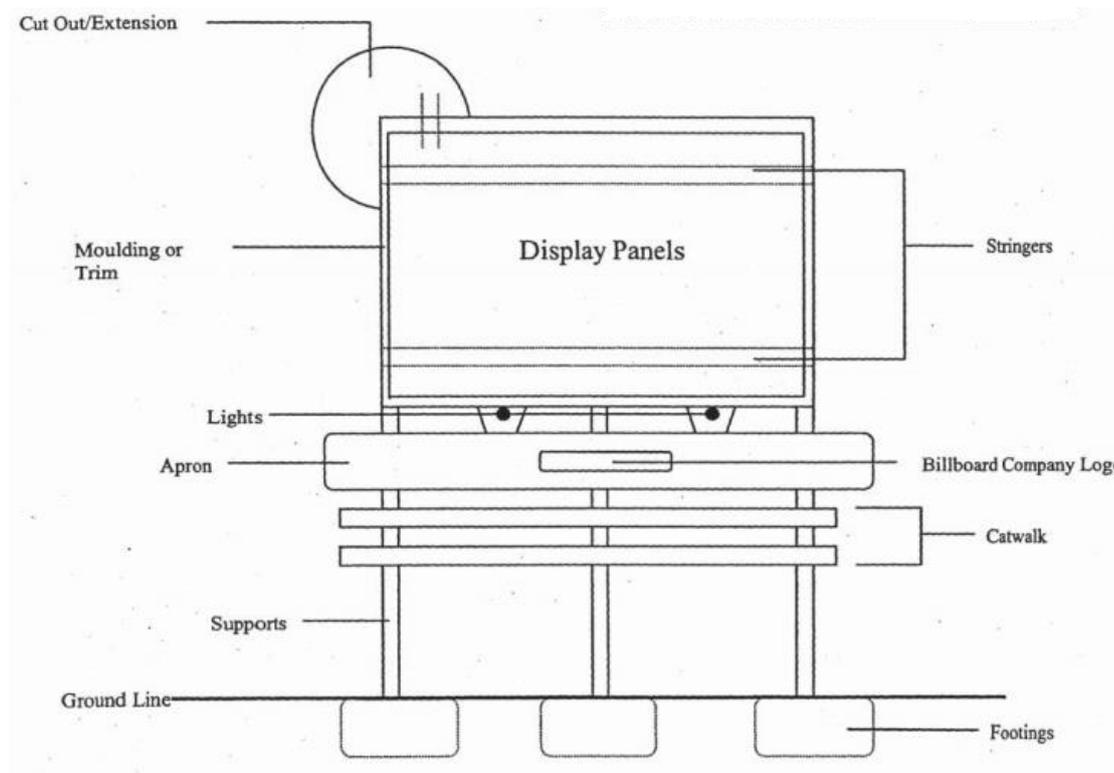
Figure 3-9: End frame guided onto the foundation



Source: U.S. Federal Highway Administration (2005:18)

The contractors assemble the billboard structure according to the plans approved by the Municipality, and a structural engineer signs off on a certificate of completion as proof to the Municipality that the sign was erected according to regulation. Once the approval of a billboard has lapsed, and the Municipality rejects a reapplication, the billboard structure needs to be removed.

Figure 3-10: Illustration of a steel billboard



Source: The State of North Carolina (2015)

3.2.1.2 BILLBOARD ADMINISTRATION

Billboard administration, as part of operational management, is focused on the existing billboard holding. The availability of the billboard faces need to be monitored and communicated to the sales team to reach maximum occupancy, the production of the advertisers need to be managed as well as the administration regarding the stakeholders of each billboard (i.e. the landlord, JV partner and the Municipal approvals).

BILLBOARD OCCUPANCY

Billboard occupancy refers to the number of faces that display billable advertisements, in other words, the number of billboard faces that have signed advertising rental agreements in place, at a specific time. Several software programs are available to manage the occupancy of your billboards, but a competent administrator and an Excel sheet will be just as reliable (and more cost-effective).

The essential elements to be displayed on, what is referred to as an availability list, include the following: the number and name of the site, the location, the size, and the following 12 months. It is best to compile the availability list in alliance with the financial year of the company, see example below:

| Site Number | Site Name | Site Location | Size (H x L) | Mar-2020 | Apr-2020 | May-2020 | Jun-2020 | Jul-2020 | Aug-2020 |
|-------------|-----------|---------------|--------------|----------|----------|----------|----------|----------|----------|
| 001 | NWU | Potchefstroom | 4 x 16 | NWU | NWU | NWU | SAB | SAB | MNET |

| | |
|--|-----------------------------|
| | Signed advertising contract |
| | Contract in process |
| | Possible client |

BILLBOARD PRODUCTION / INSTALLATION

Billboard production refers to the installation of a creative onto the face of a billboard. Most billboard companies prefer to manage the production of the billboards to ensure the timely installation and removal of advertising campaigns.

The printing of the banners is done at specialist printers with the required materials and machinery. Different types of billboards require different types of banners, the most common materials for large format outdoor billboards are:

- PVC (Polyvinyl Chloride) billboards: These are the most common billboards, and this type of printing applies to illuminated and non-illuminated structures. The banner is made of a black back PVC material with excellent printing compatibility that presents stable ink absorption, quick-drying capabilities, and premium colour performance. The surface of the banner is completed with a matt or gloss finish allowing it to withstand any outdoor environment.

- Backlit PVC billboards: Backlit banners are used to allow maximum light diffusion of a printed canvas and are made of a PVC material mix (Signs4SA, 2020).

Billboard flighting is the industry term used for the physical installation of the printed advertising banner. It is essential to make use of a reliable flighting company with the necessary experience, working at height qualifications and health and safety policies and procedures. When a billboard banner is not installed correctly, it can present a significant risk to the traffic passing the billboard, as well as the billboard company. It can also become a costly exercise if it is not done correctly, as the billboard company will be held responsible for any damages caused.

EXISTING BILLBOARD MANAGEMENT

Existing billboard management is focused on the legal status of the existing billboard holding, and this includes the current status of the billboard approval, landlord agreement and joint venture (JV) agreement (where applicable). The person responsible for this aspect of operations should ensure that the re-application process of billboards are done timeously so that the unnecessary and costly removal of billboard structures is avoided at all costs. A standard clause should be included in all landlord and JV agreements where the expiration date and the 'period of renewal' are discussed to ensure that all parties involved are aware of such expirations and the responsibility to renew.

3.2.1.3 BILLBOARD MAINTENANCE

Billboard maintenance refers to the inspections that should be carried out on all structures to ensure that they are compliant with all Municipal regulations, as well as the terms and conditions of the billboard approvals.

There are different types of inspections to be carried out based on the circumstances of the structure, which can be summarised as follows:

Table 3-3: Types of billboard structure inspections

| Type of inspection | Description |
|---------------------------|--|
| Initial inspection | Once the billboard is erected, the structural engineer should formally inspect the site to deliver a certificate of completion. After this inspection, it is recommended that the internal maintenance team of the billboard company also inspect the first advertising banner is flighted. Another inspection should be conducted within 60 days after the initial production to ensure that the structure is still intact. |
| Routine inspection | This is a necessary ground-level inspection to obtain inventory information and ensure that the advertising banner still appears as it should. The other important element of a routine inspection is to ensure that the structure is neat and reflects positively on the billboard owner; this includes rust, paint, vandalism and graffiti. A routine inspection should be conducted on a monthly basis. |
| In-depth inspection | An in-depth inspection is a complete inspection of the structure and is usually done on an annual basis. The primary components to be inspected are the foundation, base plate, anchor rods, pole, display panels, and catwalk. |
| Interim inspection | An interim inspection refers to an ad-hoc inspection that is recommended after a specific event, and this might be due to weather damage, minor repairs, among others. |

3.2.2 HUMAN RESOURCES MANAGEMENT

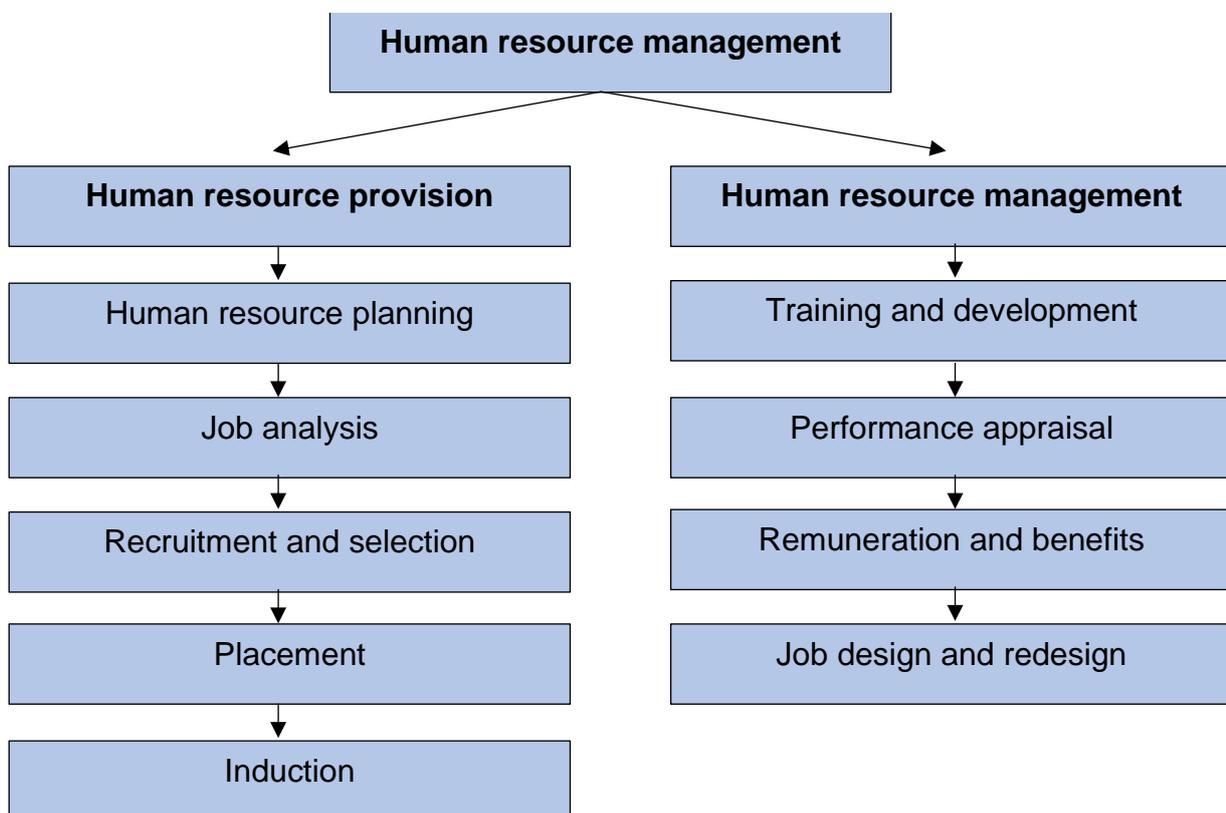
Human resources (HR) management, or the management of people, is concerned with the effective use of the skills of people (Van Rensburg, 2008:68). HR is not only responsible for recruiting the best people for the business, but also to create a positive working environment that motivates employees to be productive and do their work to the best of their ability (Botha & Musengi, 2012:209).

Nieuwenhuizen (2014:231) compares the human resources department (HRD) to that of a human heart; just as the heart supplies blood to the body to keep moving forward, the HRD supplies the necessary people to the business to get the work done that needs doing.

Therefore, human resource management can be defined as a process through which the best-suited candidate is employed to establish the perfect balance between the employee, the position, the organisation and the environment for optimal job satisfaction, performance and the success of the business (Hall & Goodale, 1986:6).

Human resource management is primarily focused on two main elements: human resource provision and human resource retention (Botha & Musengi, 2012:211). The figure below illustrates the different elements in human resource management:

Figure 3-11: Elements in human resource management



Source: Botha and Musengi (2012:211)

3.2.2.1 HUMAN RESOURCE PROVISION

As seen in figure 3-14 above, human resource provision is concerned with the employment of new personnel. New employees need to be recruited, placed and

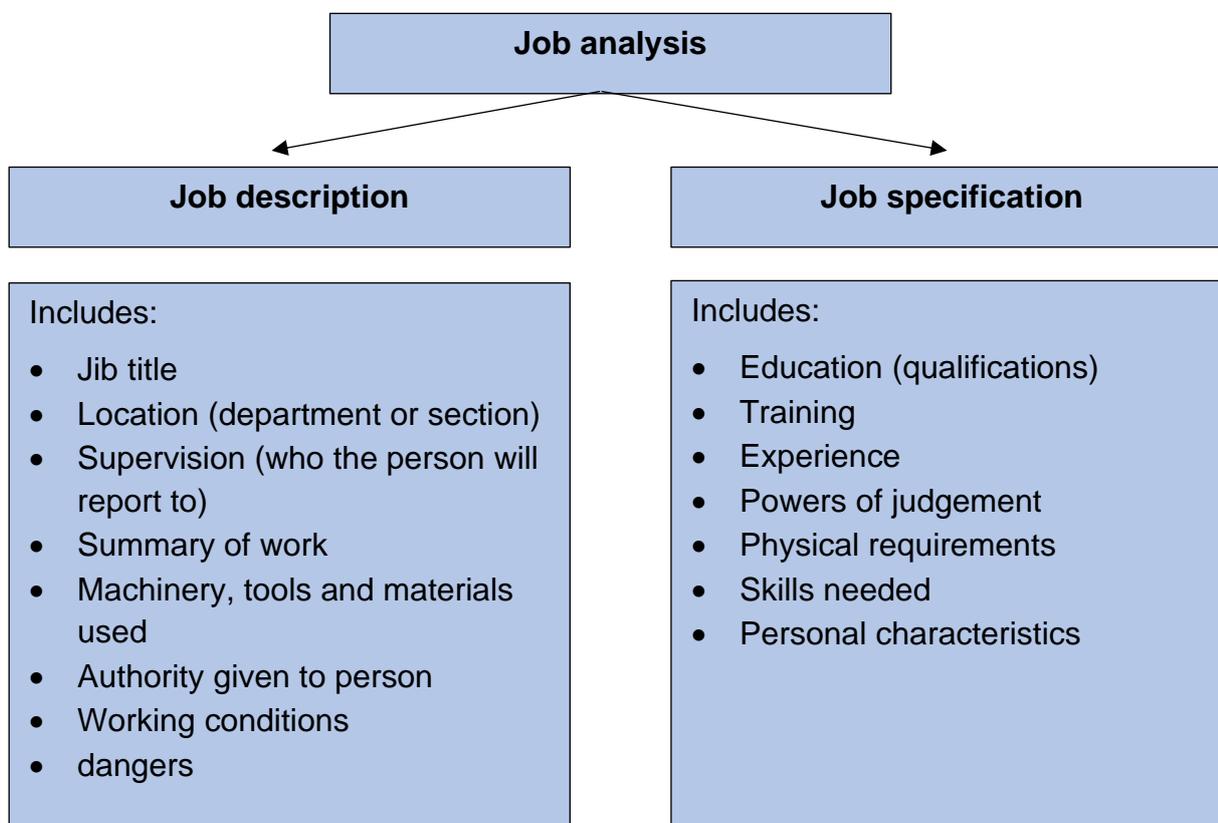
inducted, to ensure the optimal functionality through the number and type of employees (Botha & Musengi, 2012:212).

3.2.2.1.1 HUMAN RESOURCE PLANNING

There are various reasons to employ new people in a business; some of these include the resignation of previous employees. The business is expanding or making use of new technologies (Nieuwenhuizen, 2014:229). First, the type of people and the number of people must be established, then more information regarding the vacant position must be obtained through an information-gathering process called job analysis.

The job analysis process determines the skills and abilities required to perform specific tasks (Carrell *et al.*, 2015:11). The information gathered during the job analysis process is used to compile a job description and a job specification. The job description defines the duties the new employee will have to perform, the authority allocated to the position, and the responsibilities of the employee. The job specification refers to the requirements needed to successfully fulfil the position, i.e. knowledge, skills, abilities, education and experience. Below is a graphic illustration of job analysis:

Figure 3-12: Job analysis



Source: Botha and Musengi; 2012:213

Once the job description and job specification are finalised and approved, the HRD will have an exact idea of the person they have to find, which will start the recruitment process (Nieuwenhuizen, 2014:231).

3.2.2.1.2 RECRUITMENT AND SELECTION

Recruitment can be defined as the process of obtaining applicants who are both available and qualified to fill the specified position in the organisation (Carrell *et al.*, 2015:183). There are three primary sources of recruitment for the vacant position and several recruiting techniques (Nieuwenhuizen, 2014:223). The primary sources of recruitment include internal (existing employees), external (the outside labour market), and headhunting (executive search professional).

Some of the advertising techniques include advertising (newspapers, job websites), career exhibitions, database, employment agencies, and employee referrals (Botha & Musengi, 2012:217). The advertisement should include the following information (Nieuwenhuizen, 2014:223):

- Job title
- Salary
- Important features of the work
- Requirements for successful applicants
- Fringe benefits
- Application procedures
- The person responsible for the administration of the applications
- A brief description of the business.

Once the advertisement for the vacant position is published, the selection process begins, and the most suitable candidate should be chosen from the list of applicants. There are several tools to assist in the selection process:

- Application forms with questions regarding the requirements for the vacant position.
- An interview between the employer and the applicant to provide both parties with an opportunity to obtain further information regarding the position and the requirements.
- Psychometric tests to obtain extra information regarding the personality of the applicant.
- Physical tests and examinations are most applicable to positions with physical requirements.
- Background investigations are conducted to explore previous employment, criminal records and sometimes the credit history of the applicant. These types of investigations are usually done when the applicant will be working with money.
- References are provided by the applicant and contacted with the permission of the applicant, to obtain information regarding previous employment.

The selection process differs from business to business, but once the organisation decided on the best suitable candidate, the offer is presented to him/her for further negotiations. Once the final offer is signed by both parties, the appointment is finalised (Nieuwenhuizen, 2014:233-237).

3.2.2.1.3 PLACEMENT

The placement process refers to all the administrative tasks involved in the recruitment process (i.e. personal details, banking details, medical aid), as well as the arrangement for the work items required, such as electronics, software, furniture, and transport. Placing also takes place when internal promotions, demotions, and transfers (Botha & Musengi, 2012:223).

3.2.2.1.4 ORIENTATION

Orientation can be defined as the process where the employee and the business are integrated, and the new employee is acquainted with the details, expectations and requirements of the position (Carrell *et al.*, 2015:233).

3.2.2.2 HUMAN RESOURCE RETENTION

As seen from the above, the human resource provision process is lengthy and costly. Once the new employees are placed, it still takes several months to enable them to become fully productive. Management should ensure that they create an optimal workplace that provides opportunities and motivation. Therefore, the human resource management (or retention) process is focused on keeping the employees satisfied to ensure long term relationships (Botha & Musengi, 2012:224). As seen in figure 3-14, human resource management consists of four main elements: training and development, performance appraisal, remuneration and benefits, job design and re-design.

3.2.2.2.1 TRAINING AND DEVELOPMENT

When a new employee joins the business, there is a certain expectation from both parties. Training and development create an opportunity for employees to be more valuable to the business. When an employee is happy and satisfied, they add both qualitative and quantitative value to the business.

Training and development are introduced as one concept, but there is a subtle difference between the two factors: training is focused on teaching an employee how to do a specific job; whereas development is providing an employee with the necessary skills and knowledge in preparation to fulfil a future position (Botha & Musengi, 2012:225). Unlike development, training is considered a short-term investment with an expectation for immediate results, but development aims to introduce experience-based learning over a long-term period gradually.

According to Botha and Musengi (2012:22), the purpose of training and development includes:

- Improving employee and organisational performance.
- Updating the knowledge and skills of the workforce to keep up with modern trends.
- Avoiding managerial obsolescence.
- To assist with problem-solving.
- Guiding new employees.
- Employee preservation for promotions.
- Personal employee development.

3.2.2.2.2 PERFORMANCE APPRAISAL

Carrell *et al.* (2015:295) define performance appraisal as a process whereby managers evaluate and assess employee performance in comparison to a prescribed set of standards. The facilitation of performance appraisals enables managers to assess the individual contributions of employees to their respective roles. The outcome of these appraisals indicates the under- or over-performance by employees to reach organisational goals (Botha & Musengi, 2012:227). This is valuable information for

managers to make decisions regarding promotions, salary increases and human resource planning.

Performance appraisal has two main objectives: evaluate and develop. Evaluation is concerned with compensation decisions, staffing decisions and the evaluation of the selection system. The development objective provides performance feedback to the employees, direction for future performance and identifying training and development needs (Carrell *et al.*, 2015:297).

3.2.2.2.3 REMUNERATION & BENEFITS

Remuneration is the salary or wages employees receive for the work they have done. It is essential to pay an employee a fair salary that is equal to the efforts they put in to get the job done (Botha & Musengi, 2012:229). Remuneration refers to 'indirect remuneration' which includes all the added benefits a company offers, i.e. leave, insurance and allowances.

3.2.2.3 PROPOSED ORGANISATIONAL STRUCTURE

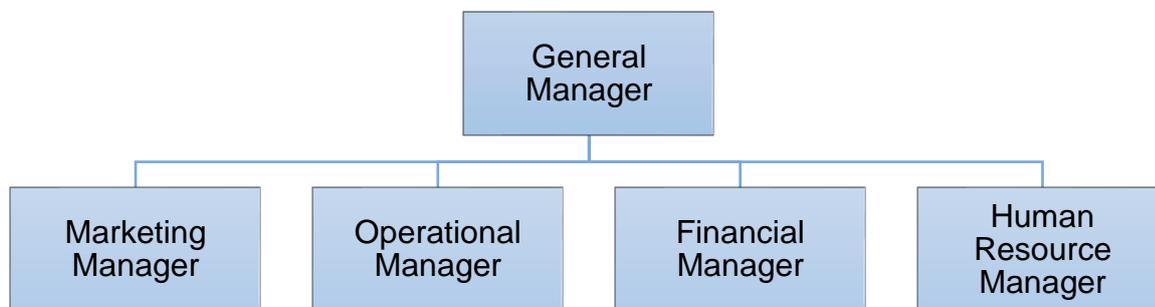
Botha and Musengi (2012:150-151) refer to an organisational structure as a "formal framework" where jobs and working relationships are brought together in working harmony. The organisational structure organises and combines the financial-, physical-, and human resources of the business for optimal functionality. The organisational structure is vital for the following principal reasons:

- Allocating responsibilities to employees to avoid confusion and duplicating tasks.
- Assigns accountability to both employees and departments.
- Establishing clear and proper communication channels.
- Allocating the necessary resources to the different departments.
- Improves teamwork and synergy to achieve organisational goals and objectives.

When designing the organisational structure, the activities, departments, and job designs need to be taken into consideration. The activities of the business include an

internal analysis of all the specific tasks, and grouping them in such a way that they work well together, i.e. when operations are identified as an activity, the tasks will be allocated as development, administration and maintenance. The next step is to divide the activities into groups and then classify them as departments; this process is referred to as departmentalisation. Individual roles and responsibilities are then assigned to these departments in such a way that employees work well together to achieve organisational goals and objectives. There are four main types of departmentalisations: functional departmentalisation, place departmentalisation, product departmentalisation and customer departmentalisation. For this study, based on a billboard company situated in one location (Gauteng), the functional department structure is proposed:

Figure 3-13: An example of functional departmentalisation



Source: Botha and Musengi (2012:146)

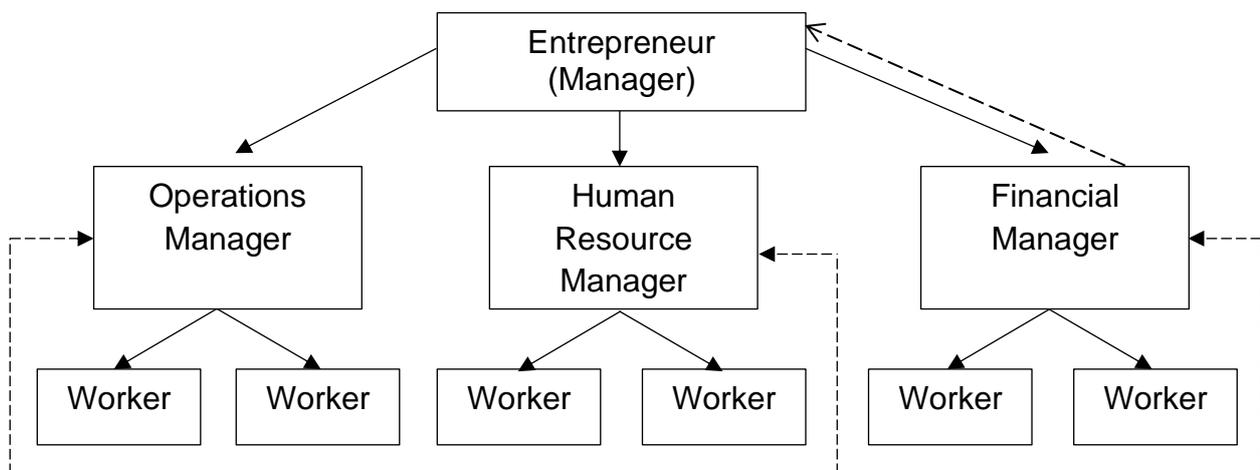
The departments of functional structure groups employees based on their areas of expertise, allocating the resources needed to perform their tasks. The main advantage of this structure is the promotion of skill specialisation, meaning that no employee is solely responsible for an entire function. Instead, the function is broken down into tasks that are completed by various employees.

The departmentalisation process provides the basic framework for the design of the organisational structure, which in turn provides the foundation for individual job design. Job design is the process of combining individual tasks, activities and responsibilities into jobs that assists in the achievement of departmental goals and objectives, and ultimately the success of the business.

Once the organisational design has been completed, a formal organisational structure needs to be developed, visually, as a formal hierarchy. The hierarchy aims to classify authority and provide clarity between authority and responsibility. For a billboard company in Gauteng, a functional organisational structure is proposed. The main characteristics of this structure are:

- The business function activities are grouped in functional areas.
- It is the most basic organisational structure.
- It often occurs that an individual in one department has authority over another department, i.e. all departmental managers might be requested to provide an annual budget to the financial department, and the financial manager is responsible to approve these budgets.

Figure 3-14: An example of a functional organisational structure



Source: Botha and Musengi (2012:153)

3.2.3 FINANCIAL MANAGEMENT

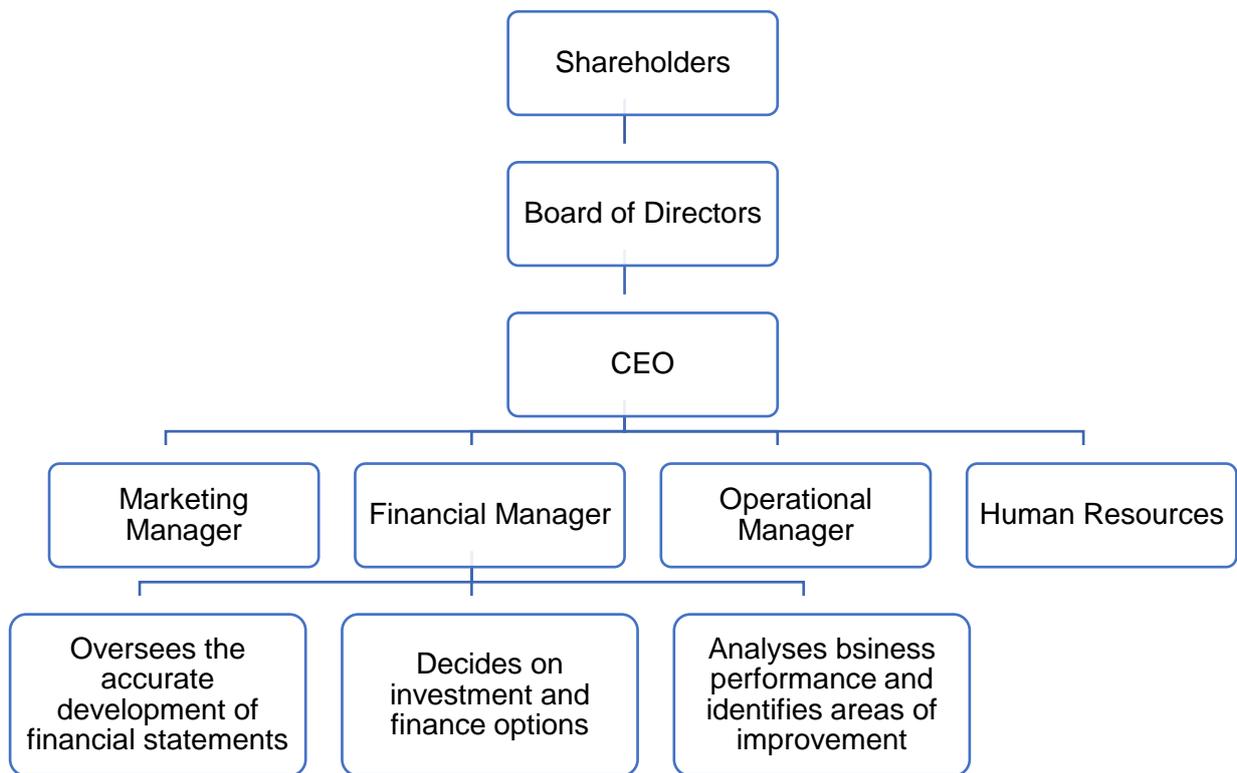
Financial management can be defined as the responsibility of obtaining and managing the financial resources of a business in such a way that it produces beneficial results for the business over the short and long term (Nieuwenhuizen, 2014:254). Accounting and financial management are generally perceived to be the same. However, there are two critical differences between the concepts (Marx & Swardt, 2013:9):

- i. Handling of funds: The primary functions of the accountant involves the development and provision of financial data to measure the performance of the business, assess the current financial position, and ensure that the taxes are paid. The financial manager is concerned with the liquidity and solvency of the firm by providing the necessary cash flow to satisfy the business's obligation to finance its current and fixed assets needed to achieve the organisational goals.
- ii. Decision making: The accountant is primarily focused on the collection and presentation of the financial data that the financial manager uses as a foundation for additional data and subsequent analyses for internal decision-making processes.

3.2.3.1 THE PLACE OF FINANCE IN THE ORGANISATION

Depending on the size of the organisation, the financial management function might be incorporated into the accounting department; in larger organisations, the accounting department and the financial department are kept separate, and the chief financial officer (CFO) reports directly to the chief executive officer (CEO). Below is a basic illustration of the financial department in an organisational structure (Botha & Musengi, 2012:266):

Figure 3-15: Typical organisational chart



Source: Botha and Musengi (2012:266)

3.2.3.2 THE MANAGERIAL FUNCTIONS OF FINANCIAL MANAGEMENT

Financial planning

The most general activity that is associated with financial planning is the financial budget, although this is not the only financial planning task. Financial planning is also concerned with the development and accuracy of the bookkeeping system, pricing and credit policies, and the financial processes and procedures. Financial planning is considered a continuous process.

Financial organising

The other part of financial management includes arranging financial activities and equipping and organising people to carry out those activities in the most effective way.

For example, the authorisation of payments; collecting, verifying, and filing financial receipts.

Financial activating

It is the financial manager's responsibility to lead and motivate all the employees in the business to communicate effectively and efficiently, to ensure the optimal functionality of all business functions. For example, the financial manager should let departmental managers know when their annual projected budgets are due.

Financial controlling

Many small business owners make a mistake to only focus on the controlling side of the financial management department, and neglect the importance of planning, organising, and implementing certain financial activities. What cannot be measured cannot be managed. Therefore, the following steps should be practised in the controlling aspect of financial management:

- i. Determining the performance criteria: This refers to the planning process of what needs to happen, when does it need to happen and what will the cost implication be, a good example is the financial budgets.
- ii. Measuring the actual performance: During this step, the projections are compared to what actually happened. The administration of the bookkeeping system and the timeous reporting thereof is an example of actual performance.
- iii. Comparing the expected with the actual reporting: The variances found in step two should now be highlighted and discussed to avoid future deviations.
- iv. Taking corrective action: The unacceptable variances should be addressed and actioned, for example, if the debtor's collection was below the expected standard, the person(s) responsible should undergo the necessary training to avoid the same mistakes in the future.

3.2.3.3 IMPORTANT CONCEPTS IN FINANCIAL MANAGEMENT

As part of the strategic overview of financial management, these concepts will briefly be explained:

Income

Business income refers to money that was obtained from the core business activities or other forms of income, such as interest and the sale of assets. For a billboard company, the core income refers to the advertising rental received, whilst other income refers to the mark-up on the production costs, the sale of billboards or billboard approvals, and the sale of billboard shares.

Expenses

Business expenses refer to all the expenditures needed to manage the business successfully. Expenses are split into two categories: fixed expenses and variable expenses. Fixed expenses remain the same for some time and do not change based on the number of billboard faces sold, i.e. office rent. Variable expenses change based on billboard sales, e.g. the landlord rental that should be paid based on the prerequisite that the billboard is sold.

Profits and losses

The profit or loss is obtained by deducting the total expenses from the total income. When the income is more than the expenses, the business has made a profit, and vice versa. The profits and losses are determined in the income statement.

Assets

An asset is something that contains an economic value, and it can be tangible (vehicles, equipment, among others) or intangible (skilled workforce, copyrights). Tangible assets are divided into two categories: Current and non-current (fixed) assets. Current assets refer to assets that will be sold or turned into cash within 12 months, e.g. inventory or outstanding debtors. Fixed assets are assets that were bought for long-term investment,

and will be owned by the company for longer than 12 months, e.g. land and buildings, and machinery.

Liabilities

A liability is any financial obligation that is due to another individual or entity, that is enforceable by law. In basic terms, liability refers to debt. Liabilities can be divided into two categories: current and non-current liabilities, the only difference being that a non-current liability has a lifespan of more than 12 months.

Equity or capital

This refers to all payments made into the organisation by the owners (shareholders).

3.2.4 MARKETING MANAGEMENT:

Marketing is the combination of several activities that are conducted as a means to achieve the organisation's objectives through the anticipation of consumer needs and supplying the products and services required to fill those needs. There are five key elements to marketing:

- 1) Needs and wants: Maslow's hierarchy of needs is discussed in detail in section 3.1 and confirms the different levels of human needs.
- 2) Products: Businesses exist to fill specific consumer needs through products or service delivery.
- 3) Utility: Businesses aim to provide need-satisfying goods and services; utility refers to the consumer's estimate of the product's overall capability to satisfy their needs.
- 4) Exchange, transactions and relationships: Exchange refers to the act of trading one thing for another. Once the exchange takes place, the two parties have concluded their negotiations, which means they have agreed, so the transaction takes place. Once the transaction is completed, a relationship has been created and needs to be nurtured for future negotiations.
- 5) Markets: Markets define a group of consumers with similar needs, income and the willingness to spend money on particular product and services.

Marketing is defined and discussed in detail in Chapter 2, section 2.2.

CHAPTER 4: ORGANISATION ANALYSIS

The organisation analysis aims to conduct a detailed analysis of the business environment, an internal analysis of the organisation and an external analysis of all factors impacting the business.

4.1.1 THE BUSINESS ENVIRONMENT

The business environment consists of three components: micro (Internal environment), market and macro (external environment). Each of the environments contains several variables that can influence the business either positively or negatively (Nieuwenhuizen, 2014:6-8). The microenvironment is the smallest of the three and refers to the business itself. It is often referred to as the decision-making environment because it presents the most control of the three environments (Botha & Musengi (2012:12). The market environment also referred to as the task environment, is the environment that directly surrounds the business, over which the business has limited control. The macro-environment is the external environment of the business, also sometimes referred to as the general environment. The macro-environment has a significant impact on the business, but the business has no control over this environment. The variables of the three components can be summarised as follows:

Table 4-1: The components and variables of the business environment

| |
|--|
| The microenvironment (the business itself, internal environment) |
| <ul style="list-style-type: none">• The mission, vision and objectives of the business• The business departments• The products and/or services |
| The market environment (external environment) |
| <ul style="list-style-type: none">• The direct market• The competitors• The suppliers providing the resources and services so the business can continue operations |
| The macro-environment (PESTLE, external environment) |
| <ul style="list-style-type: none">• Political environment |

- Economic environment
- Social environment
- Technological environment
- Legal environment
- Ethical environment

Source: Nieuwenhuizen (2014:7-8)

4.1.2 THE INTERNAL ANALYSIS

4.1.2.1 SITUATION ANALYSIS

The Strengths-Weaknesses-Opportunities-Threats (SWOT) Matrix is an essential tool used by managers to conduct a current situation analysis (David & David, 2015:259). Strengths and weaknesses are directly related to the microenvironment (internal), meaning these factors are highly manageable. Opportunities and threats refer to the variables of the external environment (market and macro), over which a business has little to no control.

Table 4-2: SWOT-analysis

| Strengths | Weaknesses |
|---|---|
| <ul style="list-style-type: none"> • A knowledgeable workforce • Good return on investment (ROI) rate • Good relationships with clients, landlords and joint venture partners • A positive organisational culture • High barriers to entry • Limited start-up risk • Diverse billboard offering (i.e. gantry, cantilever, monopole, wall sign, bridge sign.) • Strong online presence • Strategically located billboards (highways, intersections, busy roads) • Large clients who book more than one billboard, i.e. We Buy Cars • Revenue earned from a mark-up on the billboard production costs (printing and flighting) • Low maintenance costs • Geographic location (Gauteng): a large population | <ul style="list-style-type: none"> • Competitors offer similar products (easy to find a substitute) • Limited start-up costs might force the owner to include a joint venture partner • If the advertising rental is paid directly into the joint venture partner's account, it poses the risk that the owner does not receive his percentage of the income • The landlord might not renew the lease agreement or legally declare it null and void, which will lead to high costs for the removal of the billboard structure • Flexible pricing on advertising rental • High electrical expenses for illuminated billboards • Fixed or minimum landlord rentals • Low occupancy rates, especially in unforeseen circumstances such as Covid-19 • Non-paying clients • Vandalism of the billboard structures |

| | |
|---|---|
| | <ul style="list-style-type: none"> • Unforeseen expenses due to natural disasters, i.e. weather conditions, storms, and fires. • Clients are put off by the high production rates |
| Opportunities | Threats |
| <ul style="list-style-type: none"> • Low-interest rates due to the current recession and global pandemic (Covid-19) • The next economic trade cycle will be recovery, and the business needs to position itself for growth • Positive (and largest) population growth in Gauteng • The percentage of employed women is increasing, which allows for more advertising needs, i.e. schools, clothes, accessories, among others. • Online marketing • Improved media measurement tools | <ul style="list-style-type: none"> • Inflation • The economy is in a recession • Digital billboards • Limited and expensive resources • Municipal by-laws • Global pandemic |

4.1.2.2 INTERNAL VALUE CHAIN ANALYSIS

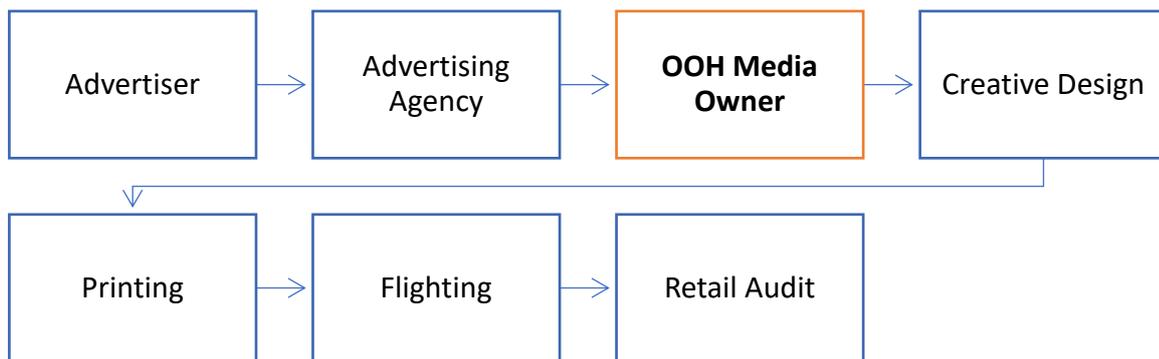
An industry value chain analysis is designed to create a holistic picture of how value and cost are created within an industry (Herholdt *et al.*, 2016:109). The value chain presented in Table 3-11 is focused on the activities that are performed internally and consists of two main activities: supportive and primary activities.

Figure 4-1: Billboard industry internal value chain analysis

| | | | | | |
|---|--|--|---|--|------------------------------|
| FIRM INFRASTRUCTURE | | | | | Supportive Activities |
| Fixed asset management, organisational structure, discipline inspection and supervision, legal affairs, corporate rules and regulations, regulatory procedures | | | | | |
| HUMAN RESOURCES MANAGEMENT | | | | | |
| Recruitment and training, human resource planning, job placement, performance management, compensation system | | | | | |
| TECHNOLOGY DEVELOPMENT | | | | | Supportive Activities |
| Management innovation, technological innovation, technology planning and implementation, information system development | | | | | |
| PROCUREMENT | | | | | |
| Printers, flighters, maintenance and development contractors | | | | | |
| INBOUND LOGISTICS | OPERATIONS | OUTBOUND LOGISTICS | MARKETING SALES | SERVICE | Primary Activities |
| <ul style="list-style-type: none"> • Billboard applications • Billboard construction • Landlords • JV Partners • Equipment and materials | <ul style="list-style-type: none"> • Production planning • Finance • Billboard Occupancy • Monthly maintenance reports • Data gathering • Monthly maintenance pictures | <ul style="list-style-type: none"> • Billboard re-application • Quality control • Forecasting | <ul style="list-style-type: none"> • Business management • Social media • Website • Networking • Cold calling • Presentations | <ul style="list-style-type: none"> • Handling complaints • Troubleshooting • Advertising rental renewals • Adding new billboards to an existing client holding | |

The existence of a billboard company is based on the need for advertising; in other words, a billboard company plays a single role in the broader value chain of the OOH industry. The broad value chain of the out-of-home industry can be presented as follows:

Figure 4-2: Advertising industry value chain



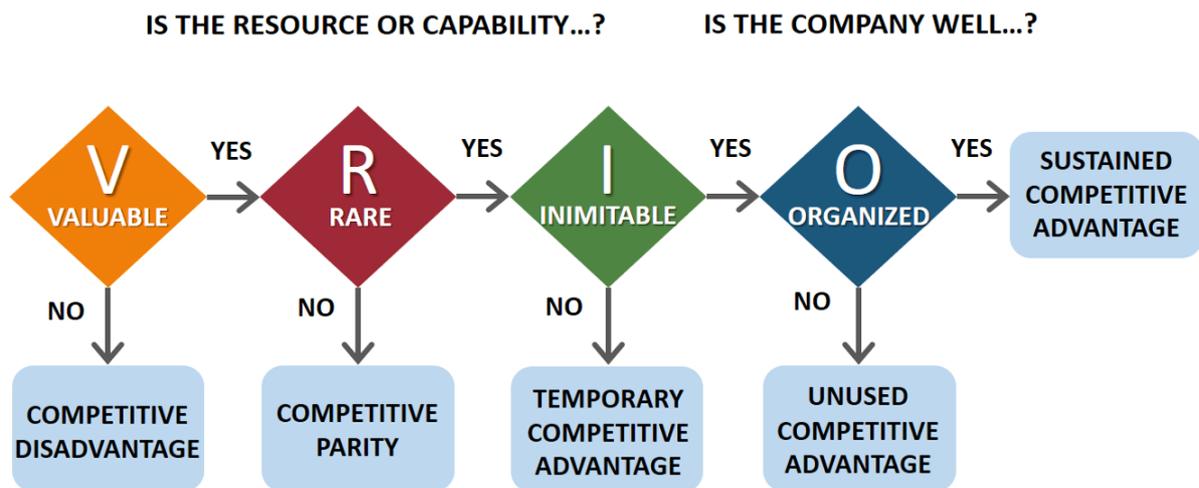
Source: Chitalia (2011)

4.1.2.3 VRIO (VALUE, RARITY, IMITABILITY, AND ORGANISATION) ANALYSIS

The VRIO Analysis is an essential analytical tool that was developed by Jay B. Barney to assess the microenvironment of the business as a means to establish a sustainable competitive advantage (Management Mania, 2020). The VRIO acronym was derived from the first letter of each of the evaluation dimensions: Value, Rareness, Imitability, Organisation.

The VRIO analysis is an internal analysis that is concerned with the company's resources, more specifically, the strengths (competitive advantage) and weaknesses they present. The purpose of the analysis is to design (or change the current design) of the products and or services in such a way that all four qualities are present to create sustained competitive advantage. The framework of the analysis can be illustrated as follows:

Figure 4-3: VRIO framework



Source: Business-to-you (2016)

When the analysis is conducted, the following questions need to be answered:

- **Value:** Resources that enable a firm to become more efficient and effective through the implementation of strategies that exploit opportunities and mitigate threats are considered valuable resources. Another determinant of a valuable resource is its net present value, which should be higher than the original investment costs.
- **Rareness:** If a small number of companies can acquire a resource, it is considered a rare resource, which automatically gives the firm a competitive advantage. Once a resource can be obtained by any number of competitors, all participants implement a common strategy. This leads to a competitive equality situation.
- **Imitability:** Valuable and rare resources greatly assist in implementing unique strategies, but it does not guarantee a long-term competitive advantage. The idea is to make it hard and costly for other competitors to imitate or substitute the products or services of the focal company. The three main factors that make a product or service 'imperfectly imitable' is as follows:

- Unique historical conditions: This refers to the historical choices made by the company that presents new opportunities in the present, an example may be the relocation of offices
 - Causal ambiguity: This refers to a situation where the link between the company's resources and its competitive advantage is not fully understood, in other words, competitors will not know what they should try to imitate
 - Social complexity: The social complexity of a business can be a compelling resource, and refers to the company's social network, interpersonal relations, the organisational culture and the company's reputation among suppliers and consumers. It is hard for competitors to imitate this resource because it is dependent on a variety of factors.
- **Organisation:** The resources mentioned above have no contribution to the competitive advantage of the business if they are not organised, managed and exploited for the value they might add. Therefore, the business must employ people that can accumulate and coordinate these resources effectively. Examples of organisational systems might include an organisational structure, strategic planning, financial budgeting, and management control systems, among others.

Table 4-3: Billboard company VRIO analysis

| Attribute | Yes/No | Why? |
|-----------|--------|---|
| Value | Yes | <ul style="list-style-type: none"> ● Invest in billboards that are situated in prime locations with high traffic ● Invest in billboards that are close to points of interest, e.g. airports, shopping malls, universities, among others. ● Present accurate and authorised data to the advertiser |
| Rareness | Yes | Although there are a significant number of billboards in South Africa, many are standing open due to their position. Invest in large format billboards that create innovative opportunities for the advertisers to do something creative with the advertising space. Allow the advertiser to design a customized advertising space rented at a mutually beneficial amount that ensures a fast return on investment. |

| | | |
|--------------|-----|---|
| Imitability | Yes | Generally speaking, billboards are easily imitable because every single one looks more or less the same. The billboard owner should consider innovative ways to erect a billboard and should consider using eco-friendly materials. The company should also employ people that present a large and robust social network. |
| Organisation | Yes | The essential business functions with proposed processes and procedures were discussed extensively in Chapters 2, 3 and 4. A new business owner should understand and implement the proposed structures. |

4.1.3 THE EXTERNAL ANALYSIS

4.1.3.1 THE PESTLE ANALYSIS

It is essential to understand the external factors influencing the success of the business. The PESTLE analysis identifies external opportunities and threats for the business that can be used to improve and implement strategies strategically (Jurevicius, 2013).

4.1.3.1.1 THE ECONOMIC ENVIRONMENT

The economic environment consists of factors that directly influence the disposable income of the consumer (in its broadest form, including both customers and other businesses); therefore, impacts their purchasing behaviour. When limited finances are available, a consumer is forced to make the necessary choices to satisfy the necessary needs.

The disposable income of a consumer is influenced by several factors, including, but not limited to, interest rates, exchange rates, inflation, trade cycles, and the economic growth rate (Nieuwenhuizen, 2014:14).

Interest rates

In its most basic form, the interest rate can be defined as the price at which money can be bought on the money and capital markets. In other words, the interest rate that is

provided as a percentage (%) refers to the price a borrower must pay for the money he or she wishes to borrow.

When the interest rates are low, consumers are more likely to spend large amounts of money due to two main reasons: 1) they have more disposable income because they pay less interest, 2) they are more willing to borrow money for large purchases (i.e. house, or car). The opposite is also true when the interest rates are high.

Therefore, low-interest rates are an excellent opportunity for a billboard company because advertisers have more disposable income to spend on marketing, the market is more willing to make purchases, and the company is in a better position to borrow money and erect more billboards and grow the business.

High-interest rates pose the following threats:

- Non-paying customers who have already received advertising exposure.
- Higher capital expenditure on billboard development due to the increase in the loan amount.
- Lower occupancy rates on existing billboards because most companies cut their marketing budgets to save money and stay afloat.
- Some of the joint venture partners might not be able to pay their share of the investment.
- Billboard advertising space needs to be sold for less, which leads to lower profit margins and more extended periods for return on investment.

Inflation

Inflation results in a continual rise in the prices for which goods and services are sold. The purchasing power of the rand (and therefore, the consumer) decreases as inflation rises, resulting in a ripple effect of decreased spending throughout the economy. The higher the inflation rate, the lower the value of the rand, meaning that consumers can buy fewer products for the same amount.

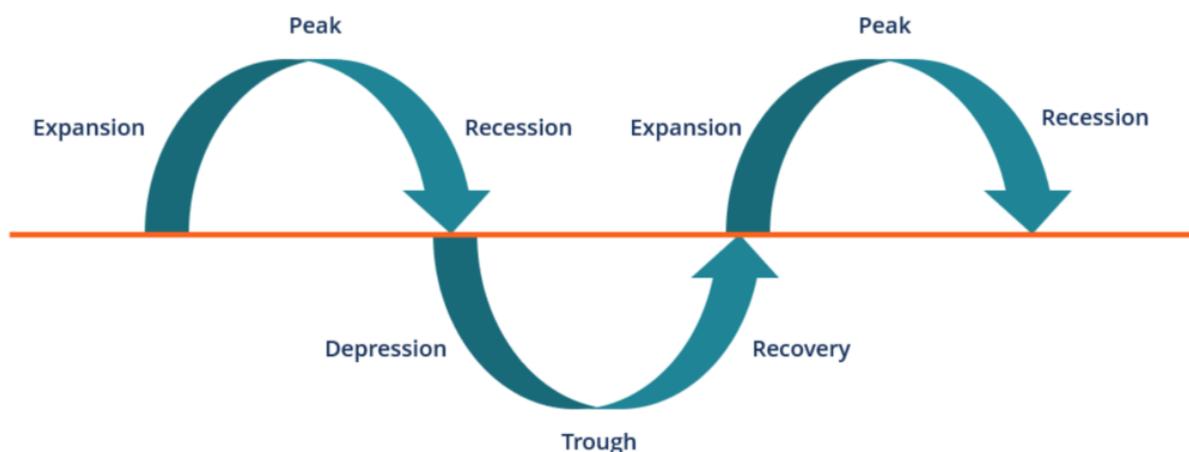
Billboard companies need to make sure to include inflation into their calculations for long term advertising rental agreements, or the company will face the threat of absorbing the inflation on the advertising space, and thus have less exposable income and lower profit margins.

Trade cycles

Every economy, no matter the size, is subject to cyclical changes. Different phases in the economic cycle pose several opportunities and threats for the business. The phases in the economic cycle include a period of prosperity, followed by a period of recession and depression and then a period of recovery:

- During the prosperity phase, the business has an excellent opportunity to test new markets and expand its current market share.
- During a recession, the disposal income of consumers is lower, and therefore their spending behaviours change. The demand for products and services becomes less, and directly impact the growth of a business.
- Employee training, business development and innovative sales techniques are crucial during the recovery phase because a business needs to position itself and prepare for the economic growth phase.

Figure 4-4: The economic cycle of a business



Source: Corporate Finance Institute (2020)

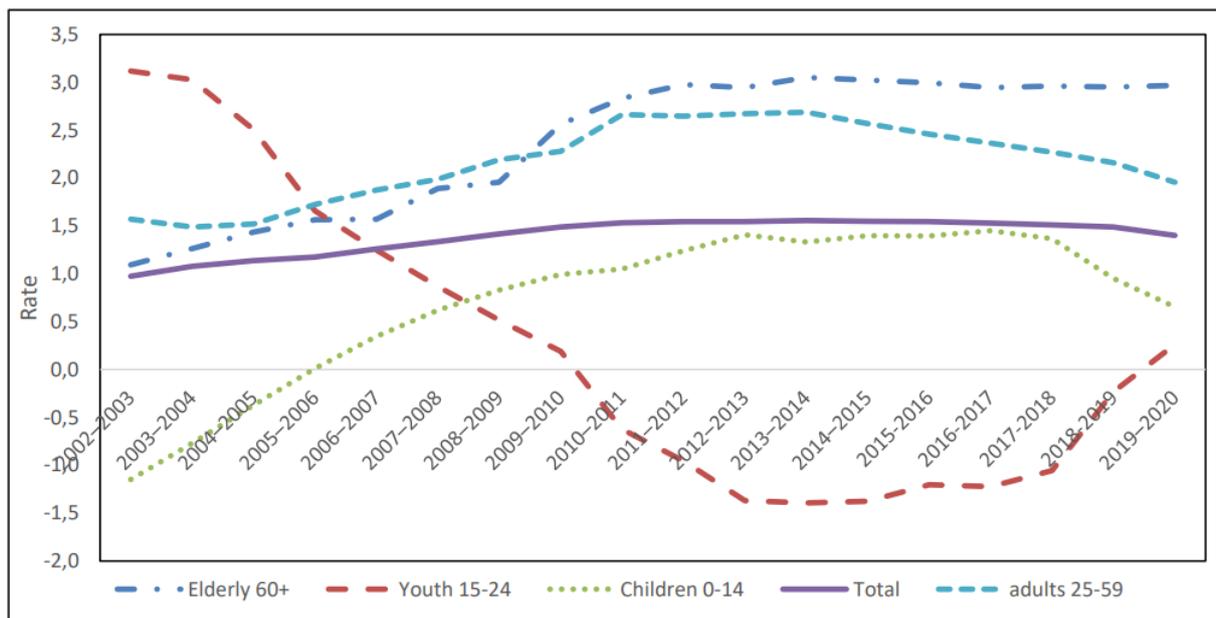
4.1.3.1.2 THE SOCIAL ENVIRONMENT

The social environment is mostly dominated by the demographics of the direct population, including the social and cultural variables. Each of the demographic variables directly impacts the market and includes the following:

Size and composition of the population

- Population growth:** According to the mid-year population estimates by Stats SA (2020), the South African population has increased to 59,62 million people, of which approximately 15,5 million people (26%) live in the Gauteng province. KwaZulu-Natal houses the second largest population of approximately 11,5 million people, and the Northern Cape has maintained its position of the smallest population in Southern Africa at approximately 1,29 million people. According to the report, an estimated 28,6% of the population is younger than 15 years of age, and 9,1% is older than 60 years of age (1,5% increase from 2002). The majority of the young population resides in KwaZulu-Natal and Gauteng, whilst the majority of the elderly (aged 60 years and older) reside in Gauteng.

Figure 4-5: Population growth rates by selected age groups over time, 2002–2020



Source: Stats SA (2020)

- **Market composition:** According to Stats SA, the Black African population group is the majority of the population at approximately 81% (48,2 million), the coloured population consists of approximately 5,2 million people, the White population is estimated at 4,7 million and the Asian/Indian population at 1,5 million.

Table 4-4: Mid-year population estimates by population group and sex, 2020

| Population group | Male | | Female | | Total | |
|------------------|-------------------|----------------------------|-------------------|------------------------------|-------------------|-----------------------|
| | Number | % of total male population | Number | % of total female population | Number | % of total population |
| Black African | 23 519 474 | 80,7 | 24 634 253 | 80,8 | 48 153 727 | 80,8 |
| Coloured | 2 555 204 | 8,8 | 2 692 536 | 8,8 | 5 247 740 | 8,8 |
| Indian/Asian | 787 662 | 2,7 | 753 451 | 2,5 | 1 541 113 | 2,6 |
| White | 2 266 535 | 7,8 | 2 413 235 | 7,9 | 4 679 770 | 7,8 |
| Total | 29 128 875 | 100,0 | 30 493 475 | 100,0 | 59 622 350 | 100,0 |

Source: Stats SA (2020)

- **Changing role of women:** An estimated 51% (30,5 million) of the South African population consists of females (Stats SA, 2020), who are accountable for 43,8% of the total employment rate (Stats SA, 2018).
- **Life expectancy:** Life expectancy for births in 2020, according to Stats SA (2020), is estimated at 62,5 years for males and 68,5 years for females.

Geographic location

Gauteng is the smallest province amongst the nine provinces in South Africa, with the highest population and average annual population growth rate at 2% per annum (Stats SA, 2016). As previously mentioned, females are the majority of the South African population (females 51%, males 49%). However, the male population in Gauteng account for 50,4% and the females for 49,6%.

The district profile noted the highest population increase in metropolitan areas, where the City of Tshwane was leading with a 12,1% increase followed by Johannesburg with an 11,6% increase. West Rand (2,1%) recorded the lowest increase amongst metropolitan areas. Midvaal Municipality showed the highest percentage increase

amongst local Municipalities at 17,1%, followed by Lesedi at 13%. Merafong City showed a negative growth of -4,4%.

Table 4-5: Population distribution by district and local municipality

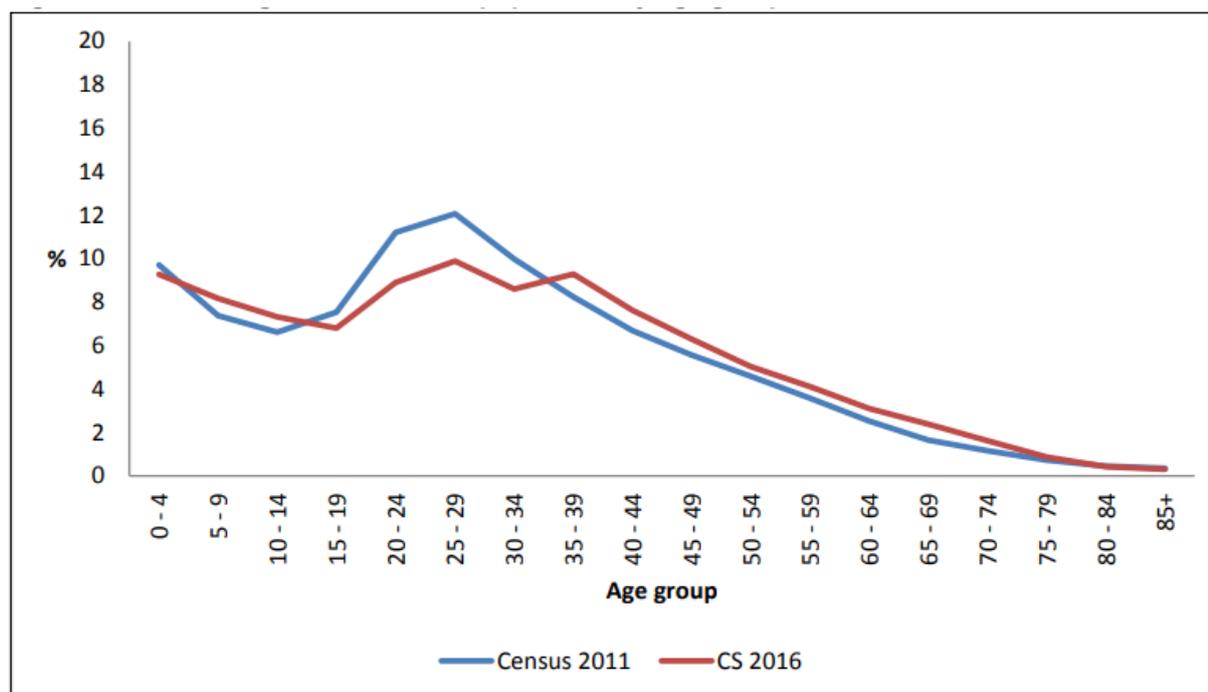
| Province/District/Local municipality | Total population | | % change |
|--------------------------------------|-------------------|-------------------|-------------|
| | Census 2011 | CS 2016 | |
| DC42: Sedibeng | 916 484 | 957 528 | 4,5 |
| GT422 : Midvaal | 95 301 | 111 612 | 17,1 |
| GT421 : Emfuleni | 721 663 | 733 445 | 1,6 |
| GT423 : Lesedi | 99 520 | 112 472 | 13,0 |
| DC48: West Rand | 820 995 | 838 594 | 2,1 |
| GT481 : Mogale City | 362 422 | 383 864 | 5,9 |
| GT484 : Merafong City | 197 520 | 188 843 | -4,4 |
| GT485 : Rand West City | 261 053 | 265 887 | 1,9 |
| EKU: Ekurhuleni | 3 178 470 | 3 379 104 | 6,3 |
| JHB: City of Johannesburg | 4 434 827 | 4 949 347 | 11,6 |
| TSH: City of Tshwane | 2 921 488 | 3 275 152 | 12,1 |
| Gauteng | 12 272 263 | 13 399 724 | 9,2 |

Source: Stats SA (2016)

As seen in the table above (Table 3-22), the City of Johannesburg has the largest population size with approximately 4,9 million people, and Merafong City has the lowest number of people (188,834) (Stats SA, 2016).

The majority of people in the Gauteng population remain between the ages of 15-34 years, even though there was a slight decrease from the 2011 Census, while persons aged between 35-79 showed a slight increase from 2011 (Stats SA, 2016).

Figure 4-6: Percentage distribution of the population by age group



Source: Stats SA (2016)

The development level of the market

South Africa has made tremendous progress since 1994 in providing access to primary education across the country (Stats SA, 2016). 78.3% of pupils aged 0-4 years in Gauteng are attending an educational institution. People attending educational institutions between the ages of 5-24 showed the largest increase in district municipalities since 2011:

Table 4-6: Population aged 5–24 years attending an educational institution

| District /local municipality | Census 2011 | | CS 2016 | |
|----------------------------------|------------------|-------------|------------------|-------------|
| | N | % | N | % |
| DC42: Sedibeng | 221 411 | 71,8 | 236 904 | 73,0 |
| GT422 : Midvaal | 19 012 | 67,7 | 24 805 | 70,6 |
| GT421 : Emfuleni | 180 233 | 72,7 | 184 386 | 73,6 |
| GT423 : Lesedi | 22166 | 68,1 | 27 713 | 71,8 |
| DC48: West Rand | 170 926 | 66,8 | 181 496 | 70,9 |
| GT481 : Mogale City | 75 912 | 68,0 | 82 794 | 71,1 |
| GT484 : Merafong City | 40 116 | 66,3 | 40 609 | 72,2 |
| GT485 : Rand West City | 54 898 | 65,4 | 58 093 | 69,8 |
| EKU: Ekurhuleni | 672 503 | 67,3 | 718 154 | 71,3 |
| JHB: City of Johannesburg | 893 857 | 68,0 | 1 117 677 | 73,3 |
| TSH: City of Tshwane | 657 833 | 72,4 | 798 548 | 75,2 |
| Gauteng | 2 616 530 | 69,1 | 3 052 779 | 73,2 |

Source: Stats SA (2016)

A total of 75,9% of the Gauteng population, aged 20 years and older, had some secondary school education and 10% had a higher education level. City of Tshwane (13,2%), City of Johannesburg (10,8%) and Ekurhuleni (7,6%) had the highest proportions of higher education.

Table 4-7: The highest level of education for population aged 20 years and older

| District /local municipality | No schooling | | Primary | | Secondary | | Higher | | Total | |
|----------------------------------|----------------|-------------|----------------|-------------|------------------|-------------|----------------|-------------|------------------|------------|
| | N | % | N | % | N | % | N | % | N | % |
| DC42: Sedibeng | 27 150 | 9,2 | 19 566 | 6,6 | 229 167 | 77,4 | 20 318 | 6,9 | 296 201 | 100 |
| GT422 : Midvaal | 3 094 | 7,8 | 2 422 | 6,1 | 30 667 | 77,1 | 3 610 | 9,1 | 39 794 | 100 |
| GT421 : Emfuleni | 19 992 | 8,9 | 14 381 | 6,4 | 174 526 | 78,0 | 14 810 | 6,6 | 223 709 | 100 |
| GT423 : Lesedi | 4 064 | 12,4 | 2 762 | 8,4 | 23 975 | 73,3 | 1 898 | 5,8 | 32 699 | 100 |
| DC48: West Rand | 21 934 | 8,2 | 25 679 | 9,6 | 202 001 | 75,6 | 17 520 | 6,6 | 267 134 | 100 |
| GT481 : Mogale City | 9 037 | 7,0 | 10 757 | 8,3 | 98 605 | 75,9 | 11 581 | 8,9 | 129 980 | 100 |
| GT484 : Merafong City | 5 454 | 10,2 | 6 425 | 12,0 | 38 682 | 72,2 | 3 041 | 5,7 | 53 602 | 100 |
| GT485 : Rand West City | 7 443 | 8,9 | 8 497 | 10,2 | 64 713 | 77,5 | 2 898 | 3,5 | 83 552 | 100 |
| EKU: Ekurhuleni | 98 143 | 8,3 | 76 069 | 6,4 | 917 976 | 77,7 | 89 654 | 7,6 | 1 181 842 | 100 |
| JHB: City of Johannesburg | 115 150 | 6,8 | 108 018 | 6,3 | 1 295 470 | 76,1 | 183 022 | 10,8 | 1 701 659 | 100 |
| TSH : City of Tshwane | 98 294 | 8,5 | 56 748 | 4,9 | 849 503 | 73,4 | 153 334 | 13,2 | 1 157 879 | 100 |
| Gauteng | 360 671 | 7,8 | 286 079 | 6,2 | 3 494 116 | 75,9 | 463 848 | 10,1 | 4 604 715 | 100 |

Source: Stats SA (2016)

Stats SA (2016) noted that 50% of the youth (aged 15-24) in Gauteng attended an educational institution.

4.1.3.1.3 THE TECHNOLOGICAL ENVIRONMENT

The technological environment poses many opportunities for both new products and services, as well as improvements to existing products and services. On the other hand, when a business does not keep up with technology, it might become a threat to its very existence. An organisation should note the importance of the necessary provisions to keep abreast of changes taking place in the technological environment (Nieuwenhuizen, 2014:19).

There are several technological factors in the billboard industry, including digital billboards, real-time (high quality) pictures, online marketing, and data-driven customer feedback.

Digital billboards

Digital billboards took the billboard advertising landscape by storm as it presents many benefits to the advertiser; some of these benefits include:

- No production costs (printing & flighting): A single advertiser can book, for example, four LED slots (at 30 seconds each) to advertise several products, without having to pay for the production thereof.
- Digital billboards are eye-catching and grab the attention of consumers through their size and dynamic nature.
- When placed at the right location, digital billboards ensure maximum visibility.
- The billboard owner can decide how many slots are available to be sold and at what price, in other words, the profit margins on a fully occupied digital billboard can present high-profit margins (if priced correctly).

However, there are downsides to a digital billboard:

- Because the advertising slots rotate, it is harder to present eligible data to the advertiser, including how many customers were reached (reach), how many times were they exposed to the advertisement (frequency), cost per thousand people reached, among others.
- The capital investment is much higher than that of a traditional (static) billboard.
- The maintenance is higher, and the lifespan is shorter than that of a traditional billboard.
- Some advertisers prefer not to share their advertising space with other advertisers.
- Although there are no production costs involved, digital billboard advertising space is generally more expensive than that of a traditional billboard.
- A bright LED screen poses a risk to passing drivers as it might cause a distraction.

Real-time (high quality) pictures

Advertisers, and especially advertising agencies, often expect the billboard media owner to send high-resolution pictures as proof of flighting (proof that the advertising banner is installed on time), monthly pictures as proof that the banner has not been damaged, and pictures of the billboard with the advertising banner and cars passing by as confirmation of real-time traffic.

Therefore, it is highly recommended that a billboard media owner's invest in a high-quality camera that will be able to take high-resolution pictures and send the maintenance team on an introductory photography course as part of training and development.

Online marketing

Online marketing has become crucial to the growth and development of a business, especially in the advertising billboard industry. More often than not, customers recognise a billboard as they pass by it and identify it as one they might want to rent. In these cases, the owner must have the necessary branding on the billboard sites, so the customer can easily reach the owner via an online profile.

Most billboard owners have an active Facebook page where they can share the latest pictures of the billboards where traffic is evident, as well as introduce new and upcoming billboard sites.

A billboard owner might also prefer to automate the billboard occupancy sheet in such a way that advertisers can identify and book available billboards directly from the website.

The opportunities of online marketing include:

- Online marketing ensures a broad customer reach.
- Due to tools such as Google Analytics, organisations can create quantifiable results based on consumer behaviours such as online purchases, total clicks, visits to the website and newsletter sign-ups.

- The large impact online marketing has on the holistic marketing department might lead to lower overheads of the business, especially compared to offline organisations.
- Develops customer relationships through email interaction, new product or service launches, and special offers.

The threats presented by online marketing:

- Internet fraud is a high risk to businesses with a robust online presence, as they might fall victim to fraudulent activities such as spreading fake news, changed banking details that lead to customers paying for products they never receive. This can cause severe damage to the reputation of the business.
- When the advertisements on the website are overwhelming and cluttered, it might harm online consumer traffic.
- Online marketing caters for a specific market, usually excluding rural areas, the elderly and illiterate people.
- Negative online feedback or reviews can have a detrimental effect on the business.

Data-driven customer feedback

Traffic data has become an operating standard amongst direct advertisers and advertising agencies. The billboard is no longer selected solely based on appearance and location; the choice has become much more scientific. When planning an advertising campaign, advertisers expect information regarding the location of the billboard, the average daily and hourly traffic counts, the demographics of the consumers in that specific area, the surrounding points of interest.

Although it is still a very niche market, traffic count software is becoming a fast-growing market with increasing options for both advertising agencies and billboard owners. The software is still costly, but for the company to grow in current circumstances, the software will become a necessity.

4.1.3.1.4 THE PHYSICAL ENVIRONMENT

The physical environment is focused on the natural resources of a country and the management thereof. Two main variables should be considered in this environment:

Limited and expensive resources

Natural resources are becoming increasingly limited and should, therefore, be managed with significant consideration. Consumers are becoming more aware of issues such as the quality of the air they breathe, the water they drink, and the houses they live in, which causes a great demand from the consumer's side for organisations to make this a high priority when providing goods and services. This creates two great opportunities for the business:

- Environmentally friendly procedures: For a billboard owner, this provides an excellent opportunity to make use of environmentally friendly procedures, and use that as leverage in all marketing campaigns, so consumers are aware of the contribution of the business to preserve the environment.
- Business-to-business opportunities: Large companies, such as Coca-Cola, are very focused on their sustainability and support of eco-friendly firms, which presents another marketing opportunity to the business to introduce itself to companies who prefer to work with eco-friendly firms.

Environmentalism and pollution

Environmentally friendly procedures for a billboard owner will mainly include the construction and production of the billboards. During the construction phase, the owner should consider eco-friendly manufacturers who can assemble the structure with environmentally friendly products. An eco-friendly printer should be used for the printing of the banners that consist of recycled or biodegradable materials.

4.1.3.1.5 THE POLITICAL AND STATUTORY ENVIRONMENT

The Government in charge is responsible for the fiscal and monetary policies of the country, which has a large impact on the business environment through interest rates, municipal rates and taxes, and the annual and provincial budget. The following elements will influence the company:

Statutory provisions

Before a company can apply to erect a billboard, the business must have a trading licence, register as a taxpayer, and comply with The Companies Act. Once the company has been formally registered, the application for the billboard approval needs to be completed according to the Outdoor Advertising By-laws of the governing Municipality. The terms and conditions will be listed on the formal letter of approval by the Municipality and need to be adhered to. The expiration date of the approval will be acknowledged under the terms and conditions. The billboard owner does face the risk of changes in the Municipal By-laws and the rejection of the reapplication for the billboard, upon which the structure needs to be removed by the specified date.

The owner and employees of the billboard company should also be familiar with the regulations of the Advertising Standards Association before any artwork is installed on the billboards. The advertising contracts should be concluded according to the statutory provisions under contract law.

Associations and Institutes

Out of Home Media South Africa (OHMSA) is the trade association for the OOH media industry in South Africa. Although there is no legal requirement for a media business to be a member of this institution, it is highly recommended. The association provides valuable insights into the regulation, legislation, and research in the industry. It also offers a networking platform for the various role players in the industry, i.e. media owners, advertising agencies.

4.1.3.1.6 THE ETHICAL ENVIRONMENT

The most significant ethical commitment for a billboard company is not to erect a billboard before its approval. Erecting an unapproved billboard can cause severe damage to the reputation of the company and negatively impact all future billboard applications. There is also a risk involved for the advertisers whose campaigns are displayed on the billboard and can cause damage to their brands as well.

Owners of illegal billboards will face legal action with the possible consequences of fines, imprisonment and the forfeiture of all revenue generated from the billboard. A billboard owner who does not reapply for a billboard once the application period has lapsed will face the same consequences. The billboard application process was established to ensure the safety of motorists, pedestrians and surrounding properties, the location and land zone of the billboard, and the formal approval of a structural engineer for health and safety purposes.

The Global Advertising Lawyers Alliance (GALA, 2008:5) noted that, as a general principle, advertisements should not contain references, expressions, audio, or visual representations that:

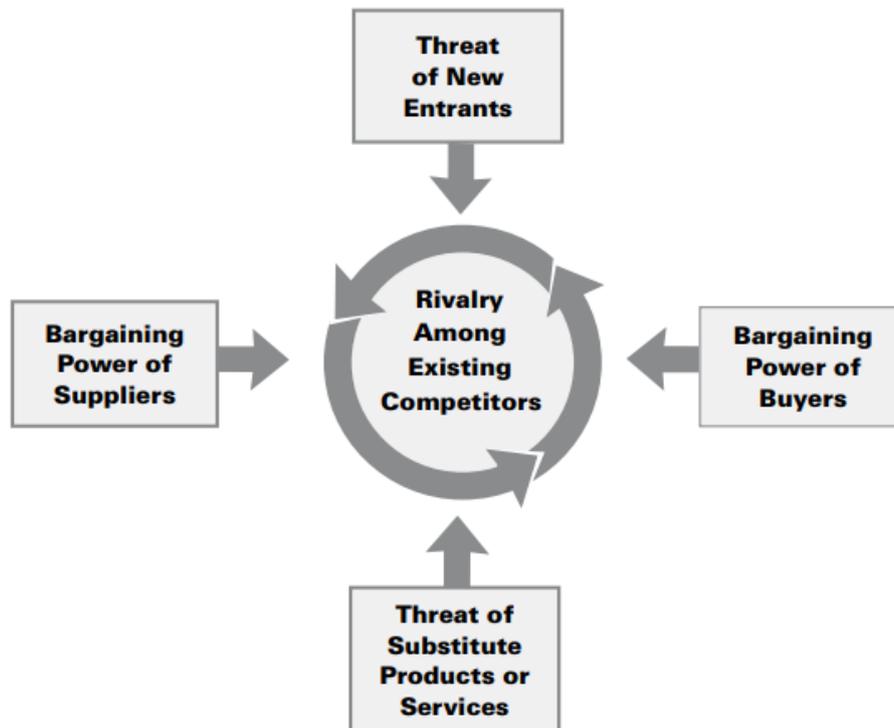
- 1) Offend society or the community's moral customs
- 2) Offend the native country, nation, or its symbols, national heroes or authorities
- 3) Offend in any way institutions whatever their nature or composition
- 4) Offend religious beliefs
- 5) Encourage illicit activities and lack of respect to law and authorities
- 6) Encourage discrimination of any kind.

4.1.3.2 PORTER'S FIVE FORCES

Michael Porter's Five Forces Analysis plays a fundamental part in understanding how to sustain a competitive advantage and the factors that drive the success of a business. The competitive analysis model is a widely used approach to developing strategies across all industries (David & David, 2015:239). According to Porter (2008:26), the most successful business is not the biggest one, but the most profitable one. The forces that shape competition consist of five factors:

- Rivalry among competing firms
- Potential entry of new competitors
- Potential development of substitute products
- Bargaining power of suppliers
- Bargaining power of consumers

Figure 4-7: The Five Forces That Shape Industry Competition



Source: Porter (2008:27)

4.1.3.2.1 RIVALRY AMONG COMPETING FIRMS (HIGH)

This factor is usually considered the most powerful amongst the competitive forces, especially in this case. The strategy of a firm is only as powerful as the competitive advantage it provides when compared to the strategy of another firm (David & David, 2015:240), and a change in strategy by one firm may be met with reciprocal changes by other firms, such as lower prices, better quality products and services, newly added features, among others. The following factors contribute to the intense rivalry among competing firms in the billboard industry:

- 1) There is a high number of competing firms: According to Outdoor Auditors, there are currently over 200 OOH media owners in South Africa operating approximately 13 500 billboards (only 282 are digital billboards), of which close to 60% are situated in Gauteng (du Preez, 2020).
- 2) The similar capability of firms competing: The product is very generic, and all media owners have access to the required data requested by the client.
- 3) Falling product prices in the industry: Due to the current economic situation, large billboard companies sell their sites far below the market rate, which makes it hard for small and medium firms to compete with their limited inventory.
- 4) Consumers can switch brands easily.
- 5) Rivals have excess inventory: The average billboard occupancy rate in the industry is 69% (Face First Media, 2018).
- 6) Rivals sell similar products.

4.1.3.2.2 POTENTIAL ENTRY OF NEW COMPETITORS (MEDIUM)

When the barriers to entering a specific industry are low, the intensity between competing firms increases (David & David, 2015:240). The following factors contribute to the potential of new competitors:

- 1) Running a billboard company requires unique know-how regarding the different departments of the business, for example, the production of the billboard requires special knowledge regarding the materials used, the costs involved, the best suited flying companies.
- 2) Experience in the billboard and advertising industry is a large contributor to the success of the business, so lack thereof lowers the potential of new competitors
- 3) Strong customer loyalty: When a billboard owner manages to get a large company such as We Buy Cars on board, they usually book several billboards and therefore get a special discounted price on the combined sites. Actions like this increase the loyalty of the advertiser towards the billboard company.
- 4) Strong brand preferences: Many large companies prefer to work through an advertising agency; hence, the advertising agency is responsible for choosing the best sites. More often than not, advertising agencies have specific billboard owners with whom they prefer to work

- 5) Large capital requirements: The initial capital expenditure is high, but the return on investment is excellent, depending on the location of the billboard
- 6) Government regulatory policies: The Municipal By-laws are specific to every municipal area, and they are very strict. The application process is costly, with no certainty that the outcome will be positive.

4.1.3.2.3 POTENTIAL DEVELOPMENT OF SUBSTITUTE PRODUCTS (HIGH)

Billboards are the most popular form of outdoor advertising, but there are several cheaper outdoor advertising options available, these include street pole advertisements, transit advertising (i.e., cars and busses), point of sale advertising, and retail advertising. The reach presented by billboard advertising drastically decreases the cost per 1,000 when compared to other formats.

Billboard advertising has also expanded to include mobile billboards, digital billboards, interactive billboards, and augmented reality billboards.

4.1.3.2.4 BARGAINING POWER OF SUPPLIERS (HIGH)

The bargaining power of suppliers affects the competitiveness of the billboard industry through the following elements:

- 1) There are few suppliers: Suppliers refer to the contractors erecting the billboard and the manufacturers who supply the large billboard frames according to specification
- 2) There is little good substitute material available; the materials used to erect a billboard are subject to particular regulations due to the risks involved for bypassers
- 3) The cost of switching raw materials is high
- 4) The billboard company has little to no bargaining power when negotiating with the landlord

4.1.3.2.5 BARGAINING POWER OF CONSUMERS (HIGH)

The bargaining power of consumers is a decisive factor that affects the competitive advantage of a company, primarily when products are marginally differentiated (David & David, 2015:242). The following factors increase the bargaining power of consumers:

- 1) Consumers can switch to competing brands at little to no extra costs
- 2) Consumers are critical to the billboard company because advertisers are the sole success factor to the company
- 3) Consumers, especially when working through an advertising agency, are highly informed regarding competing products, prices, and production costs

In summary, rivalry among competing firms in the billboard industry is very intense due to the high availability of substitute products in outdoor advertising, and the high bargaining power of both suppliers and consumers.

4.1.3.3 INDUSTRY DRIVING FORCES

The industry driving forces are concerned with the main elements that drive change in a specific industry and the impact thereof (Herholdt *et al.*, 2016:104). An industry as a continually changing landscape, shaped by the actions of the competitors, suppliers and consumers. The following driving forces were identified for the billboard industry:

Table 4-8: Billboard industry driving forces analysis

| Driving force | Description | Impact on Industry | Change Implications | Comments |
|---|--|---|---|--|
| Emerging new internet capabilities and applications | Direct and timeous access to available company information | Consumers are more aware of and informed regarding the reputation of the company and its and capabilities | Advertisers and agencies choose a billboard company based on information available to them | A robust online presence can be precious for a billboard company, e.g. an advertiser might identify a desired billboard through a quality image posted on the website. |
| Increasing globalisation of industry | Different forms of billboards are increasing, i.e. digital, mobile billboards. | Billboard companies are diversifying through the addition of all outdoor media platforms, and some even invest in radio advertising (Primedia). | Consumers have a wide variety of options available to choose from | Exceptional growth opportunities |
| Changes in long term industry growth rate | The billboard industry is growing steadily as advertising needs and knowledge increase. Digital billboards in South Africa have increased from 174 sites in February 2018 to 282 sites in February 2020, equating to a 62% increase (The Media Online, 2020) | PWC (2019) projected an average annual growth rate of 2% per year from 2020 – 2023 for the entire OOH industry. | New entrants are slow to enter the market, and the digital outdoor industry is growing much faster than the traditional outdoor industry. | The large companies are expanding faster than new companies are entering. |

| | | | | |
|--|--|---|--|--|
| <p>Changes in who buys the product and how they use it</p> | <p>The top 10 industries that advertise on billboards are restaurants, medical, automotive, attorneys, churches, banks, insurance, dental, boutiques and the food industry (Tasty Ad, 2018).</p> | <p>The usage of OOH advertising for attorneys and churches have grown rapidly over the past five years, mainly because attorneys operate in a very competitive field, and churches use outdoor advertising to promote events and communicate church times and service announcements (Tasty Ad, 2018).</p> | <p>More cash flow in the industry monetary chain and increasing occupancy rates.</p> | <p>Consumer behaviour changes according to trends and innovation</p> |
| <p>Product Innovation</p> | <p>Product innovation runs concurrently with changes in consumer demands and behaviour</p> | <p>The billboard company must stay informed on industry changes and the demands of its consumers to stay relevant and proactively adjust its offering as required, e.g. if a consumer demands verified data for the billboard site they rent, the company must do the necessary to provide the advertiser with the requested data</p> | <p>New products and choices revitalise both the industry and the billboard company</p> | <p>The exciting, industry does not stagnate easily</p> |

| | | | | |
|--|---|--|---|--|
| Technological change/ process innovation | Viewing the available billboards online and finalising bookings through digital software programs | The industry is getting increasingly specialised concerning efficiency and lowering the fixed costs of the business | Businesses that become outdated concerning technological changes lose market share | Continuous change happens gradually and is more cost-effective than making large changes at once |
| Marketing innovation | Social media marketing and application-based marketing has become very relevant in the billboard industry. All the large billboard companies have a robust online presence to keep customers updated with their latest developments | Marketing is becoming more cost-effective and easily accessible | Various channels are available for effective online marketing, and these include a website, Facebook, Instagram, LinkedIn, YouTube. | Low costs to reach a large target audience |
| Entry or exit of major firms | Large international brands are well established in the South African market, e.g. JCDecaux, Primedia, AdOutpost. | Smaller independent billboard companies must compete against large established brands | Leads to the closing of smaller firms that have to compete against the large firms | The location of the billboards are crucial in the success of a billboard company |
| Diffusion of technical knowledge | Rotation of managers and core staff becomes more prominent | Higher salaries must be paid to informed and experienced employees that can easily accept a position at a competing firm | Core culture and technical expertise is not easily sustained, and this leads to higher training and salary costs | Change of staff is a regular occurrence |

| | | | | |
|---|---|---|---|---|
| Changes in cost and efficiency | Changes in the industry, such as the digital billboard market that requires no production cost, causes higher demand for lower production costs on traditional billboards | If a billboard company needs to absorb the production costs of the traditional billboards, it will increase the advertising rental of the billboards to maintain gross profit margins | The effect is that the consumer will need to pay more for the same product, where larger diversified companies can absorb the costs through revenue on other product lines | Cost-saving practices need to be implemented to maintain profit margins |
| Consumer preferences shift from standardised to differentiated products | Traditional billboards, mobile billboards, transit advertising, digital billboards, street pole advertisements. | Billboard companies need to diversify its product offering to meet consumer needs | The consumer has more options to choose from | The industry is moving toward diversification |
| Changes in the degree of industry uncertainty and business risk | Economic uncertainty caused by the current junk status of South Africa and the recession as well as the Covid-19 pandemic | Consumer budget cuts involve marketing expenditure, which directly affects the billboard industry | The Covid-19 pandemic caused many businesses to primarily operate from a home environment, which decreases the traffic surrounding billboard sites. This causes doubt in advertisers regarding outdoor advertising compared to radio, television and print advertising. | Enormous impact on the industry |

| | | | | |
|--|---|---|--|---|
| Regulatory policies and government legislation changes | Changing outdoor advertising by-laws of the governing municipalities | This raises capital investment costs as billboard owners need to re-apply or remove the structure | This affects the cash flow of the business, the billboard holding of the owner and the relationship with the client that was an active advertiser on the specific billboard site | Municipalities need to implement the necessary by-laws to protect the environment |
| Changing societal concerns, attitudes, and lifestyles | Consumers have taken a shift toward being much more cautious regarding environmentally friendly products and the health and safety of citizens. Many people argue that billboards are a risk to by-passers as it presents a distraction from the road | A sustainable green initiative or making use of environmentally friendly material is more cost-intensive for the business | The billboard can make use of other formats such as building frames or container sites, but the advertising rent will be much more expensive | This is not a new development in the industry, and it has been coming for some time. Billboard owners should be aware thereof |

The driving forces behind change do not happen overnight, thus offers the billboard company the opportunity to adapt to the possible changes gradually. It is essential to stay informed and take proactive action towards product innovation.

4.1.3.4 INDUSTRY KEY SUCCESS FACTORS

The industry key success factors (KSF's) are concerned with the future competitive success of the business in its industry (Herholdt *et al.*, 2016:106). The management of the company needs to understand these factors as it enables them to identify gaps in the current capabilities of the organisation. Industry key success factors critically affect the competitive environment of a business and note the crucial elements that should be incorporated into the business strategy. Table 3-10 provides the general KSF's for a billboard company:

Table 4-9: Industry key success factors

| Origin of KSF | Description |
|---------------|---|
| Technology | <ul style="list-style-type: none"> • Consumer data collection and analysis: This can be used as a tool to identify customers that are currently rolling out advertising campaigns to be approached by the billboard company; the top advertisers in a specific time, e.g. Covid-19; and the top advertising agencies in Gauteng. • Production improvement technologies: This refers to software that enables a billboard company to use digital technology for the management of the billboards, e.g. occupancy rates, bookings, available sites. • Billboard development software: Software that enables the billboard company to create statistics regarding the billboard before it moves into development stages, such as customer reach and frequency, to determine how attractive the site will appear to the advertiser. Traffic count software: Several technologies are available for billboard owners to provide strategic information to the advertiser regarding the placement of an advertisement on a specific site. • Online marketing: Most of the online marketing applications have built-in analytics tools that can determine the age, location, and gender of the consumer visiting the particular site, as well as the number of times they have visited the site, the number of clicks on the site, and the time they spent on the site. |
| Manufacturing | <ul style="list-style-type: none"> • Identify suppliers that deliver high-quality products and services at a low cost. • Implement quality control procedures into the construction process to ensure that the products are reliable for outdoor conditions. • Ensure the maximum utilisation of the fixed assets. • The company should be positioned to have access to attractive suppliers and a skilled labour force. • Identify a service provider that can deliver design and engineering services at a lower cost to reduce manufacturing and construction costs. |
| Distribution | <ul style="list-style-type: none"> • Create a strong network with direct advertisers and advertising agencies. • Provide the necessary training and skills development to the sales team for successful national distribution capabilities. • Enable the direct sales capability of the business through a strong online presence. • Make the necessary calculations and provisions for price negotiations through the implementation of a price floor and a price ceiling. |
| Marketing | <ul style="list-style-type: none"> • The company should offer a variety of products, i.e. bridge sites, wall sites, gantries, cantilevers. • The company should establish a reputable and well-known brand by delivering what was promised to the consumer. • Personalised, well informed, and consistent, high-quality customer service. • Technology provides a great marketing platform, but the company needs to ensure that the technology is accessible and reliable. |

| | |
|-------------------------|---|
| | <ul style="list-style-type: none"> • Be innovative and creative with the advertising of the company. |
| Skills and capabilities | <ul style="list-style-type: none"> • The company should employ talented, engaged, and committed employees. • Advertising is a very creative industry and requires innovative capabilities. • Some form of graphic design expertise is essential when the employee is involved in the production process. • The marketing department should consist of employees with the necessary e-commerce capabilities to design and maintain a user-friendly website. • Streamlined back-office processes and procedures should be implemented and managed. |
| Other | <ul style="list-style-type: none"> • Prime billboard site locations. • Quality after-sale services should be delivered for consumer convenience. • A strong financial balance sheet should be maintained for future capital investment to expand the billboard holding. |

4.1.3.5 CUSTOMER ANALYSIS

The existence of a business is based on its capability to fulfil customer needs. If a business fails to attract customers, it will not be profitable, and thus not be able to sustain itself. A business consists of its customers, competencies, and resources; the competencies of a business represents its potential as well as its constraints (Herholdt *et al.*, 2016:135). Therefore, it is vital to understand customer needs in order to fulfil them successfully.

4.1.3.5.1 CUSTOMER DEMANDS AND TRENDS

According to Herholdt *et al.* (2016:136-138), customer and societal needs evolve over time, parallel to technological progression. The old economy refers to the agrarian economy, where people were satisfied with essential commodities (i.e., minerals, animals and vegetables), and the industrial economy, which refer to manufactured goods. As the industrial economy grew, the supply of these products became universal, and the differentiation thereof decreased, which lead to the commoditisation of certain goods. Commoditisation refers to the state of progression where consumers are more concerned with the price of a product than the manufacturer thereof.

Herholdt *et al.* (2016:136-138) argue that the antidote for commoditisation is customisation. Customisation is a value-added offering that enables a business to design goods according to the specific needs of the consumer. Hence, the industrial economy was replaced by the service economy, but because customisation was globally considered a general antidote, it also became a commodity. Businesses reacted most logically by customising not only goods but also services, which lead to better customer experiences, and introduced the service economy. The general trend of commoditisation followed the services economy and was recently replaced by the digital economy.

The digital economy has liberated information to consumers through easy access to supplier information and price transparency, which presents many opportunities and challenges to a business. The differences between the old economies and the new economies can be summarised as follows:

Table 4-10: Old economy vs new economy

| Old economy | New economy |
|--|-------------------------------------|
| Manufacturing-based technology | Information-based technology |
| Focus on goods and services | Focus on experiences |
| Information supports the physical transformation | Information as a source of value |
| Mass production | Mass customisation |
| Cost minimisation | Value maximisation |
| Quality improvements | Rendering authenticity |
| The economic principle of scarcity | The economic principle of abundance |
| Local markets | Global markets |

Source: Herholdt *et al.* (2016:137-138)

The customer demands and trends analysis aims to answer questions regarding the projected consumer demands and how it will affect the industry; the strategic implications of the consumer demands on the business; the future changes of the demands; the key global trends that directly affect the industry; the opportunities and threats the demands and trends present, and the proactive customisation of the product or service required to remain competitive in the industry.

The table below discusses the top ten project OOH trends for 2021 that will impact the billboard industry (Linchpin, 2020):

Table 4-11: Customer demand analysis

| Customer demand/trend | Strategic implications | Opportunities/threats |
|--|--|--|
| 1) The consistent increase in digital outdoor advertising (DOOH) | Existing billboard owners will increase their digital billboard holding through the erection of new billboards or the conversion of static (traditional) billboards to digital billboards. Therefore, the growth of traditional billboards will decrease drastically, and the demand for lower production costs will increase | <p>Opportunities:</p> <ul style="list-style-type: none"> • As the supply of digital billboards increases, the growth of static billboards will slow down drastically over time. Therefore, the demand for static billboards will increase amongst clients who prefer static billboards and whose budgets do not allow for digital advertising • When the demand is high, and the supply is relatively low, there will be a price increase in advertising rental <p>Threats:</p> <ul style="list-style-type: none"> • Demand for lower or no production costs • Lower occupancy rates on traditional billboards |
| 2) Brands are embracing the power of storytelling | Research has indicated that storytelling is a great technique used by advertisers to improve the retention and recollection of consumers. Experts in the industry project an increase of the storytelling technique in the outdoor advertising industry for 2021. Experts argue that brands should only tell parts of the story to keep consumers interested and build up to an ending where the brand solves the problem at hand. | <p>Opportunities:</p> <ul style="list-style-type: none"> • Advertisers might book long-term contracts due to the number of creative changes in telling the story • Billboard owners should consider building three billboards, near each other, for the client to book all three sites to tell the story in a sequence <p>Threats:</p> <ul style="list-style-type: none"> • Advertisers might prefer to book digital billboards due to the production costs |
| 3) Growth in advertising opportunities | Advertisers are making use of smaller advertisements in busy public places, i.e. airports, public transport area, playgrounds and waiting areas. Advertisers are also making use of blank walls as a substitute for traditional billboards. Advertising outside of | <p>Opportunities:</p> <ul style="list-style-type: none"> • Billboard owners should focus on billboard locations situated close to airports • Billboard owners should obtain approvals for wall signs as the structures require much less capital expenditure and allows |

| | | |
|--|---|--|
| | airports has drastically increased since 2019. | for higher advertising rental fees Threats: <ul style="list-style-type: none"> • Small digital screens will increase in and around the areas mentioned above and might be more cost-effective for the advertiser |
| 4) Smart advertisements | Recent technology inventions (i.e., facial recognition, artificial intelligence, analytics software) have enabled advertisers to create an exact science regarding their target audience. This allows advertisers to create artwork that interacts with and engages the target audience. | Opportunities: <ul style="list-style-type: none"> • Advertisers are more likely to book large format billboards that capture the attention of the audience, which equates to a higher income • Billboard advertisements will become more innovative, thus revealing the potential of the billboard sites • Creates an opportunity to construct customised billboards according to customer needs, offering a unique selling point for the business Threats: <ul style="list-style-type: none"> • Advertisers might prefer digital billboards as they have more interactive characteristics than traditional billboards |
| 5) Mobile integration in outdoor advertising | Technology has enabled advertisers to integrate mobile and outdoor advertising using beacons, to connect with the consumer via mobile technology when passing by an outdoor advertisement. This enhances the user experience and allows for real-time feedback between the advertiser and the consumer. | Opportunities: <ul style="list-style-type: none"> • Traditional billboard owners can buy the technology to use on traditional billboards to deliver the same results as a digital billboard Threats: <ul style="list-style-type: none"> • Obtaining the technology that allows a traditional billboard to perform the same as a digital billboard can be much more cost-intensive |
| 6) Multi-channel integration | Advertisers will aim to integrate their outdoor advertising efforts with social media, television, radio, and other advertising platforms to ensure a coherent and consistent brand image. | Opportunities: <ul style="list-style-type: none"> • Outdoor advertising is well known for driving consumers to small screens (television, mobile phones, and others). Therefore, consumers looking to increase their online presence might turn to outdoor advertising |

| | | |
|---|---|--|
| <p>7) Focused reach will lower expenses</p> | <p>Outdoor advertising used to focus on a broad audience, but continually improving media measurement tools allow advertisers real-time insights on their consumer reach and behaviour. Advertisers can thus make the necessary changes to increase their chances of communicating directly to their target audience.</p> | <p>Opportunities:</p> <ul style="list-style-type: none"> • The location of a billboard should be appropriately inspected based on available data and software to ensure the optimal occupancy of each site • This allows billboard owners the opportunity to obtain the necessary software licences and subscriptions to position themselves in a way that they can present all the required data to the advertiser <p>Threats:</p> <ul style="list-style-type: none"> • Billboard owners who do not have the required information available will become obsolete in the industry • The software needed to provide reliable information is expensive |
| <p>8) Outdoor advertising will become more creative</p> | <p>The industry has taken a data-driven approach to advertise to enable advertisers to use their campaign budgets as effectively as possible to reach their desired target audience.</p> | <p>Opportunities:</p> <ul style="list-style-type: none"> • Billboard owners can diversify themselves in such a way that they can assist advertisers in streamlining their outdoor advertising needs based on the data available <p>Threats:</p> <ul style="list-style-type: none"> • A billboard owner might burn bridges in the industry if they approach clients directly and threaten the advertiser's account with the agency |
| <p>9) The rise of in-house marketing teams</p> | <p>The number of companies with in-house marketing teams is increasing. More companies are expected to exclude third party agencies and establish in-house marketing teams that are dedicated to specific brands.</p> | <p>Opportunities:</p> <ul style="list-style-type: none"> • This presents a financial opportunity to the company as no agency commission will be applicable if it is a direct client • This makes direct marketing easier for the billboard owner because it decreases the number of role players in the industry <p>Threats:</p> <ul style="list-style-type: none"> • Advertising agencies contribute a great deal to the sales of a billboard company, and they provide indirect access to many clients. If the |

| | | |
|------------------------------------|--|---|
| | | agency is no longer associated with a specific brand, the company will have to increase its efforts to remain relevant to the advertising needs of that specific brand. |
| 10) Authentic and genuine exposure | Consumers are becoming increasingly aware of empty and unrealistic brand promises; therefore, brands will need to focus on transparency and authenticity. Online marketing channels are increasing, and brands need to ensure that their online advertisements are synchronised with their outdoor advertising advertisements. | <p>Opportunities:</p> <ul style="list-style-type: none"> • Outdoor advertising is considered a trustworthy source of advertisements amongst consumers; therefore, the industry will keep growing on a global scale <p>Threats:</p> <ul style="list-style-type: none"> • Billboard owners need to understand the brand they are displaying to avoid being associated with unauthentic brands |

4.1.3.5.2 CUSTOMER SEGMENTATION

Customer segmentation refers to the process where the different customers in a market are identified and classified based on similar needs, requirements, and other elements (Herholdt *et al.*, 2016:142). A business needs to know precisely who their target market is in order to successfully fulfil their specific needs through the value proposition of the business. The different market segments of the business can be categorized as follows:

- External advertising agencies: There are two role players in an external advertising agency that the billboard company would want to approach and establish long term relationships with account executives and account planners. The account executive serves a coordinating role between the advertising agency and the advertiser and is primarily responsible for ensuring that the advertisements meet the client's specifications. In small companies, the account planner may also be the account executive, but in larger companies, the account planner is the spokesperson for the advertiser inside the agency and reports back to the account executive on any developments. The account planner should ensure that the creative message reaches the desired target market and consults the client on developing long-term communication strategies for future advertising campaigns. It is essential to maintain good relationships with the

external advertising agencies as they represent some of the largest companies in Gauteng. No matter the size of the agency, the billboard owner should try to approach all advertising agencies in the Gauteng province.

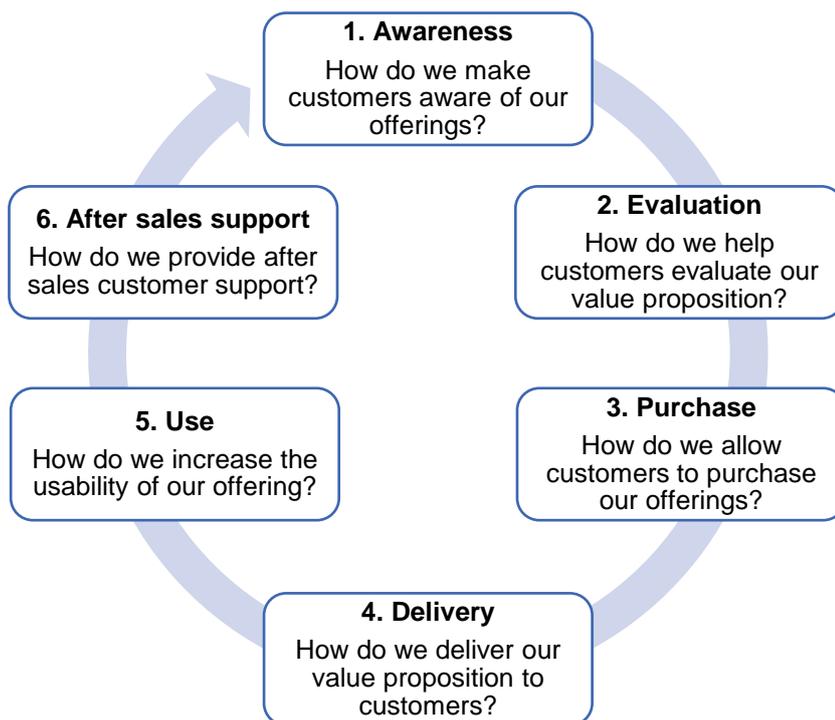
- **Media planners:** Media planners are responsible for formulating the media program and deciding where and when the advertisements will be placed. Media planners work closely with the creative designers, account executives, account planners advertising agencies and media owners (Baack *et al.*, 2014:223). Some companies might prefer to only work with specific media owners; therefore, it is crucial to maintain good working relationships with media planners.
- **Direct clients:** Direct clients are advertisers who sign an advertising agreement directly with the billboard owner; they do not work through an advertising agency. The profit margins are higher when contracts are directly concluded with the media owner because there are no commissions payable. According to Tasty Ad (2018), the top 20 businesses that use billboards for advertising, are in the following industries (from 1 to 20): restaurants, medical, automotive, attorney, churches, banks, insurance, dental, boutiques, food industry, schools, heating and cooling, salons, home goods, furniture, jewellery, chiropractor, radio, gyms and plumbing and other home services.
- **Other media owners:** It often occurs that an agency sends out an advertising brief with specific requirements for an OOH campaign, but the owner lacks inventory in specific locations. Some media owners then form an agreement where the billboard is added to the brief, and if the media owner who received the brief is successful, the agreed-upon rental amount should be paid to the actual media owner.
- **Printers:** Some advertisers prefer to do their own printing; printers are then in a position to propose a billboard owner to the advertiser for future advertising needs.

- **Flighters:** Flighters are the people responsible for the installation of the creative; they often work directly with the advertisers and are thus able to propose a billboard owner to the advertiser for future advertising needs.

4.1.3.5.3 COMMUNICATION CHANNEL ANALYSIS

Customer channels are the preferred paths of communication used by a business to reach its customers using selling or promoting specific offerings. Customers go through several stages when interacting with businesses, which are referred to as “customer channel phases”. These phases play an imperative role in the selection of communication platforms and customer experience. The phases are as follows (Herholdt *et al.*, 2016:152):

Figure 4-8: Customer channel phases



Source: Herholdt *et al.* (2016:152)

The proposed communication channels for a billboard owner is tabled below:

Table 4-12: Proposed communication channels

| Customer phase | Optimised channel practice (for efficiency and customer experience) |
|-----------------------|---|
| Awareness | <ul style="list-style-type: none"> • Social media platforms (Facebook, Instagram, LinkedIn) • Free exposure on the billboard for a limited time as a sponsored price to a charity event • Word of mouth • Good relationships with existing clients and agencies • Strong sales team • Interactive website • Proposals and superimpositions to prospective clients (cold calling) • Networking sessions • “Advertise Here” banners on open billboards |
| Evaluation | <ul style="list-style-type: none"> • Superimpositions to create a look and feel of what the brand would look like on the banner • Traffic data and other measurement tools • E-mail correspondence • Promotions • Free production on contracts of six months or more • Positive word of mouth referrals |
| Purchase | <ul style="list-style-type: none"> • Cash on delivery of invoice for new clients • 45-day payment terms for existing or previous clients • EFT payment |
| Delivery | <ul style="list-style-type: none"> • “Proof of flight” picture to the client once creative is installed • Professional monthly pictures of the billboard as proof that the banner is still displayed and has not been damaged • Traffic data delivered every month on the reach and frequency of the advertising display • A Facebook post on the billboard owner’s page with a picture of the flighted banner and a link to the advertiser’s website or Facebook page |
| Use | <ul style="list-style-type: none"> • Once the advertiser is an active client, there will be several benefits to motivate the advertiser to book more sites, e.g. prompt payment discount, and discount on the next billboard booking or a free creative change on long-term bookings |
| After-sales support | <ul style="list-style-type: none"> • After the billboard has been booked, the billboard owner takes responsibility for the production of the billboard • The maintenance of the billboard • Any queries related to the current booking • Real-time traffic data • Monthly pictures |

4.1.3.5.4 CUSTOMER RELATIONSHIPS

Customer relationships focus on establishing and maintaining a sound customer base to 'feed a need' for both the business and the customer through trust and loyalty. The purpose of customer relationship management is to reach new customers and to retain current customers and convince them to spend more. There are six generic types of the customer relationship, as described by Osterwalder and Pigneur (Herholdt *et al.*, 2016:154-155):

- 1) Personal assistance relationships: this is solely based on human interactions such as face-to-face meetings, telephone calls, email correspondence and video conferences. Personal assistance is vital in the billboard industry because the sales team undergoes the necessary training, is aware of the billboard holding and locations, and the data presented by each site.
- 2) Dedicated personal assistance: This is a continued and very intimate relationship between the customer and the business representative that is based on trust and loyalty and established over time. An example is a relationship between a sales representative and an account executive in an advertising agency, and if the relationship is nurtured, the account executive will always try their best to include the billboard owner in advertising briefs.
- 3) Communities: This refers to relationships that are established through social entities that are established and maintained by the organisation. The purpose of communities is to facilitate discussions, generate word-of-mouth, and solve each other's problems, share knowledge, and foster a sense of belonging amongst existing and potential customers. This increases loyalty amongst customers and offers valuable customer insights to the business.
- 4) Co-creation: Co-creation allows customers to play an active role in the development of products and services through suggestions, proposed design changes, or content creation. This is a mutually beneficial relationship to both the business and the consumer as it provides valuable customer insights and better fulfils customer needs.

- 5) Self-service: self-service refers to specific stages of the customer channel phases where the customers can perform specific tasks by themselves, i.e. the online booking of a billboard.

- 6) Automated service: Automated service is based on the same concept as self-service, but the process is a bit more sophisticated. An automated service makes use of technology to make the self-service more convenient to the customer; an example of an automated service is to individualise a customer's webpage by using historical data.

CHAPTER 5: THE BUSINESS PLAN

The ever-changing business environment poses both opportunities and threats for new entrepreneurs, but it is essential to know when to pursue an opportunity. A new business can be very challenging, so it is crucial to conduct the necessary research and consider every possible scenario, to improve the prospects of success for the new start-up.

5.1 EXECUTIVE SUMMARY

This start-up business plan aims to assist a new billboard owner in Gauteng to have a better understanding of the industry, the consumer, the internal business environment, and the product. The business plan also aims to unlock the potential and success of a new billboard owner's business.

Following the detailed analysis of the internal and external environments of the business, this chapter aims to summarise the conclusions and recommendations in a structured way. The business plan addresses the background and purpose of the business, the OOH industry, the proposed operational plan, financial plan, human resources plan and marketing plan.

5.2 BACKGROUND AND PURPOSE OF THE BUSINESS

5.2.1 GENERAL DESCRIPTION OF THE BUSINESS

Marketing and advertising are sometimes used interchangeably, but advertising is merely a component of marketing. Marketing is a vital department in any business, be it profit or non-profit, and is concerned with creating, communicating, delivering, and selling the product or service of the business. Advertising is only focused on one activity: communicating the product or service to the business's desired target audience. There are many marketing channels used in advertising, some examples include social media advertising, print advertising, email advertising; but the focus of this study is on out-of-home (OOH) advertising, more specifically, traditional billboard advertising.

The OOH advertising industry is a complex landscape focused on connecting the advertiser with the desired target audience. There are several key role players in the industry, including, but not limited to, the advertiser, the advertising (or creative) agency, the media owner, and data providers (measurement and analytics). The media owner, or in this case, the billboard owner, offers the advertising space to the advertiser at a specified price.

Just as any other business, it all boils down to demand (buy) and supply (sell), where the advertisers and the agencies are considered buyers and the media owners and data providers are considered sellers. The most significant demands from the buyers include:

- The visibility of the billboard
- The traffic count at the location of the billboard
- The demographics of the audience that is reached at the specific billboard site
- The proximity of the billboard to the advertiser's place of business
- The rush hour traffic at the location of the billboard

5.2.2 CORE PRODUCTS AND SERVICES

The core products of a billboard company are the billboards, but the billboards should meet the demands mentioned above of the buyers. As discussed in Chapter 2, this study is focused on the following billboard types:

- A portal gantry billboard (poles or pillars constructed on both sides of the road, ranging between 18m² and 81m²)
- A cantilever gantry billboard (the structure is supported by a single or double pole in the middle of the road, only spans across part of the road)
- Large format billboards (does not exceed a maximum size of 81m² and a maximum overall height of 12m²)
- Medium format billboards (range in size from 19m² to 40m²)
- Small format billboards (range in size between 9m² – 18m²)
- Wall signs (signs which are affixed to any external or main wall of a building)

- Towers, bridges, and pylons (signs that are fixed to or painted on these structures and primarily used for advertising purposes)

The general services of a billboard company include:

- The production/installation of the billboard sites
- Deliver proof of flighting photos to the client
- Monthly photos of the billboard as proof that the banner is still being displayed and has not been damaged
- Financial and legal administration of the billboard sites
- Maintenance of the billboard structures

5.2.3 UNIQUE SELLING PROPOSITION (USP)

A USP defines that which differentiates your business from any other of its kind. It summarises all that contributes to what makes you unique and where you add value to your customers. It answers the question: How do your products benefit your clients better than anyone else can?

Step 1: Describe the target audience

The target audience of an out-of-home billboard company includes any advertiser who is looking for an OOH media platform. However, medium and long-term clients are preferred (6 -12-month contracts) as it creates a more reliable platform for financial forecasting. Large clients are also beneficial as they usually book more than one billboard (e.g., Coke), as well as clients who book a billboard as a holding site, for example, Builders books a billboard that is situated close to one of their warehouses and decides to keep it as a holding site for as long as the shop is located there. The target audience also includes advertising agencies, printers, flighters, and other media owners.

Step 2: Explain the problem you solve

Billboard media owners supply advertising space to advertisers in the out-of-home billboard industry. There are a large number of existing billboards in Gauteng, but there is still a great demand for billboards that fit the requirements of advertisers. The billboard media owner should strategically choose the best locations for new billboard structures and offer clients personalised advertising space that is constructed according to their specific needs.

Step 3: List the biggest distinctive benefits

- Offers a large variety of billboards to choose from
- Low billboard production/installation costs
- Personalised billboard construction offering
- Online billboard availability and bookings
- Accurate and verified media analytics
- Flexible pricing negotiations on advertising rental
- Strong and experienced sales team
- Prime billboard locations
- Quality after-sale service delivery
- Eco-friendly construction materials

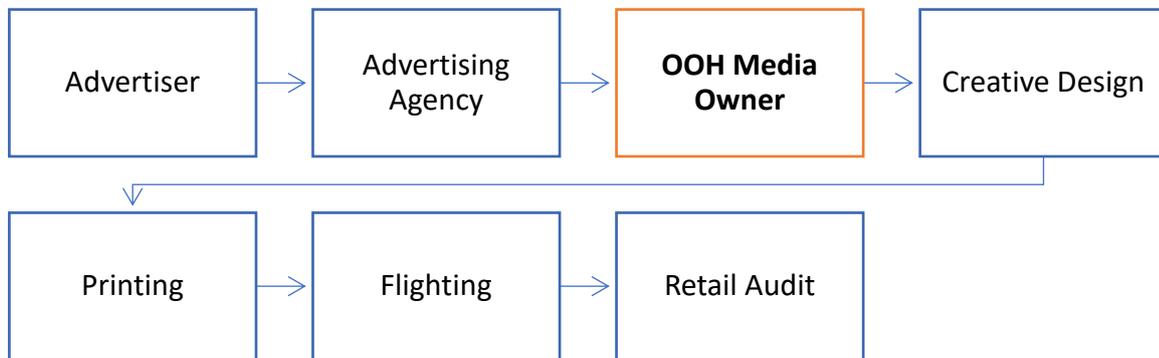
5.3 INDUSTRY ANALYSIS

5.3.1 INDUSTRY BACKGROUND

The global marketplace is a rapidly changing environment, filled with competitors battling for market share. These competitors have a large variety of marketing communication tools at their disposal. Out-of-home (OOH) advertising media is one of the most recognised forms of advertising and the oldest form of mass marketing. The demand for billboard advertising space originated from the need to display or communicate a message to the broad public publicly. One of the most significant advantages of OOH advertising is the vast exposure it presents to drivers and pedestrians. According to PWC (2016:238), OOH advertising reaches approximately 85% of the adult South African population.

The broad value chain of the out-of-home industry can be presented as follows:

Figure 5-1: Advertising industry value chain



Source: Chitalia (2011)

Research has repeatedly shown that OOH advertising is the most affordable mass media tool in comparison with online advertising, magazines and television when calculated at a cost per 1,000 impressions. OOH advertising will continue to grow due to its cost-effectiveness and the extensive customer reach it presents.

The billboard industry is growing steadily as advertising needs and knowledge increase. Digital billboards in South Africa have increased from 174 sites in February 2018 to 282 sites in February 2020, equating to a 62% increase (The Media Online, 2020). PwC (2019) projected an average annual growth rate of 2% per year from 2020 – 2023 for the entire OOH industry. In 2016, OOH advertising expenditure in South Africa rose to R2.1 billion (PwC, 2016) and was expected to rise to R2.9 billion in 2021.

5.3.2 INDUSTRY DRIVING FORCES

The main elements that currently drive change in the OOH industry are:

- Emerging new internet capabilities and applications that require direct and timeous access to product information.

- The increasing globalisation of the industry is encouraging media owners to diversify their holding to include different forms of billboards, e.g., digital, mobile, among others.
- Changes in long term industry growth rate: New entrants are slow to enter the market, and the digital outdoor industry is growing much faster than the traditional outdoor industry.
- Changes in who buys the product and how they use it: Attorneys and churches have increased their OOH spending over the past five years.
- Product innovation runs concurrently with changes in consumer demands and behaviour which will be discussed in detail under the next point (2.3.3.).
- Marketing innovation: Social media marketing and application-based marketing has become very relevant in the billboard industry.
- Changes in cost and efficiency: Changes in the industry, such as the digital billboard market that requires no production cost, causes higher demand for lower production costs on traditional billboards.
- Changes in the degree of industry uncertainty and business risk: Economic uncertainty caused by the current junk status of South Africa and the recession as well as the Covid-19 pandemic.
- Regulatory policies and government legislation changes: Changing outdoor advertising by-laws of the governing municipalities.

5.3.3 INDUSTRY KEY SUCCESS FACTORS

The industry key success factors (KSF's) are factors that are identified to play an essential role in the future competitive advantage of the business in its industry. These factors should be understood and incorporated into the business strategy:

- **Technology:** The ever-changing technological environment poses both opportunities and threats to a business. One of the most crucial KSF's for the survival of a billboard company will be the analytical consumer data requested by advertisers. Advertisers no longer book billboards solely based on their appearance, the only thing that matters is the reach, frequency, and the impressions of the intended target audience. A current or new billboard owner

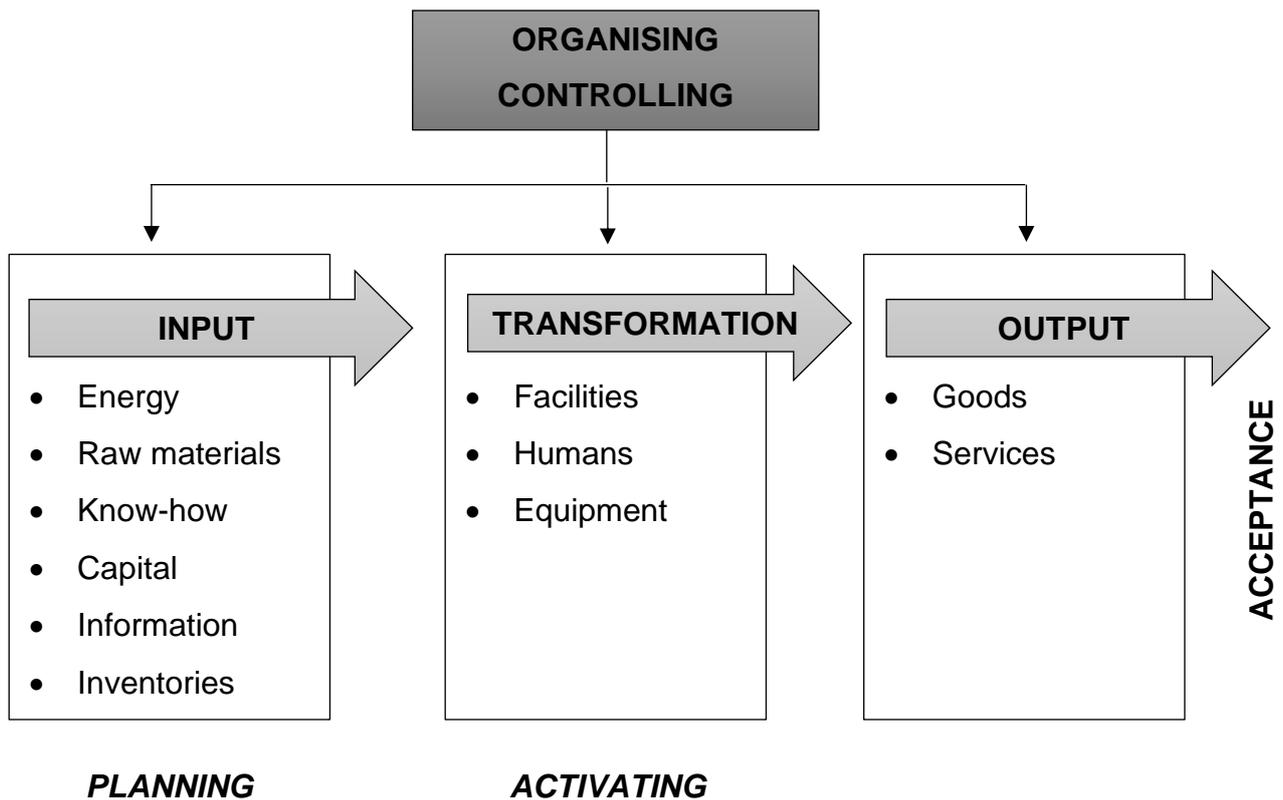
needs to acquire the subscriptions and licences for this data as soon as possible. Further to the above, media owners are also increasing their online presence through social media and self-help websites.

- **Manufacturing:** Billboard owners should consider eco-friendly manufacturing materials. It might be difficult to obtain materials for the billboard structure that meets the building requirements, but the printing of the billboard banners can be done on biodegradable materials.
- **Distributions:** A strong network with direct clients will be very beneficial to the company, as well as a strong sales team with several years' experience in the industry. A strong online presence will assist with the brand establishment, and the necessary self-help tools to make the booking as easy as possible to the client.
- **Marketing:** Innovative and creative marketing techniques should be applied, stay up to date with technological developments and implement them in day-to-day operations, and establish a reputable brand through delivering on what was promised to the clients.

5.4 OPERATIONAL PLAN

Operations management, as discussed in section 3.3.1, refers to the management of several productive systems in the day-to-day operations of the business. The productive systems are all those activities that transform the inputs into sellable outputs (van Rensburg, 2008). The operational function can be illustrated as follows:

Figure 5-2: The operations management system



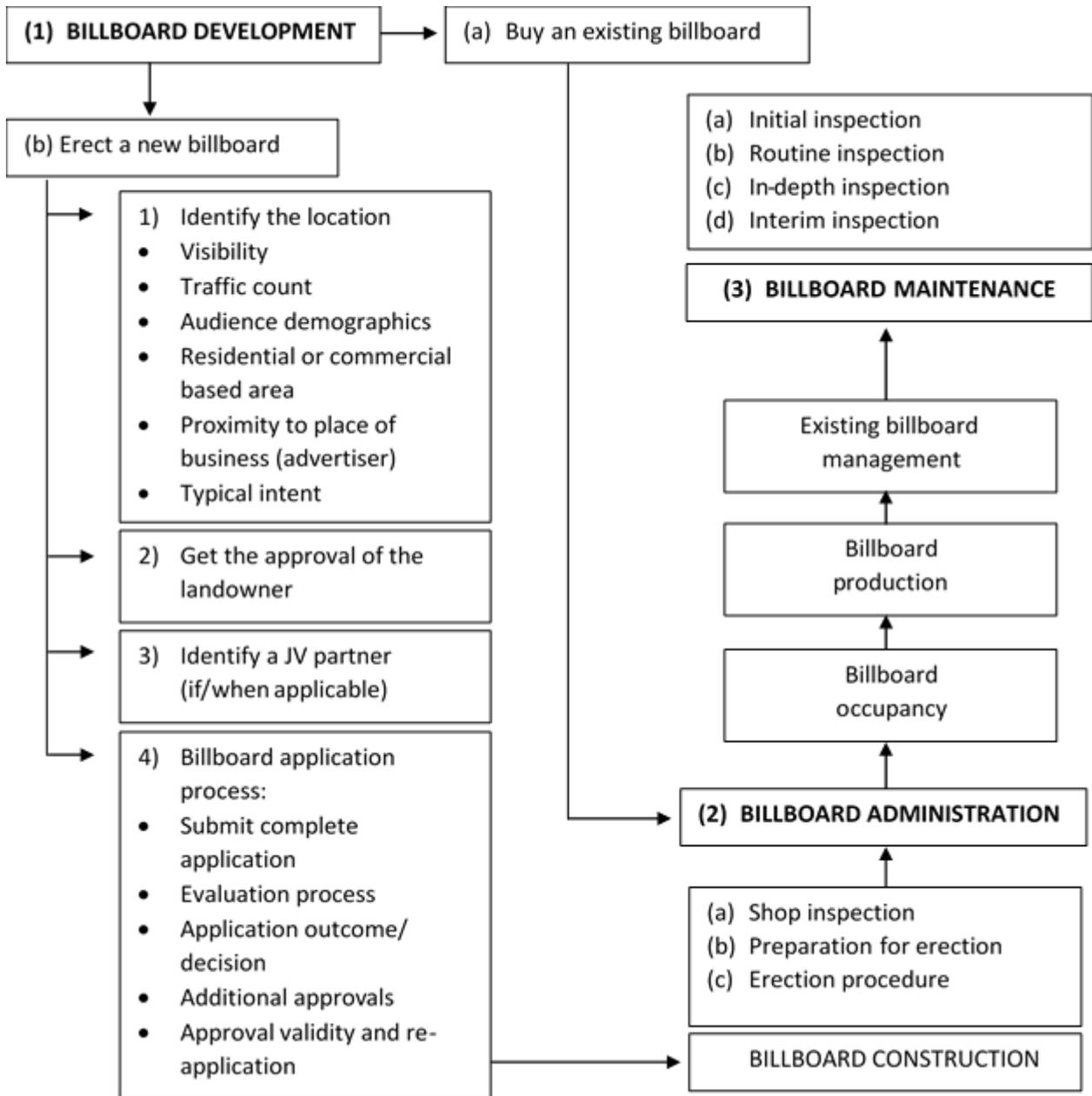
Source: van Rensburg, 2008:107

The operations of a billboard company can be divided into three main categories:

- 1) **Billboard development:** Billboard development is concerned with the expansion of the existing billboard holding. The person/s responsible for billboard development should identify prime billboard locations, conduct a feasibility study, obtain approval from the landowner to erect a billboard on the specified site, identify a suitable joint venture partner if/when needed, go through the necessary processes to obtain approval from the governing municipality and manage the construction of the billboard to ensure that it is erected according to schedule.
- 2) **Billboard administration:** This category is responsible for the management of the existing advertising space, the printing and installation of the advertising banners, and the management of the existing billboards, i.e., approvals, landlord agreements, and JV agreements.
- 3) **Billboard Maintenance:** The maintenance team should ensure that the billboard structures are maintained and upgraded according to the stipulated standards.

As a flow diagram, the operational department of a billboard company can be illustrated as follows:

Figure 5-3: Operations department of a billboard company



Source: Created by the researcher

Planning is essential in this department because everything happens in sequence, and one activity cannot start before the previous has been completed, for example, the billboard application cannot be submitted without written approval from the landowner. A timeline should be established to assist in the planning of constructing a new billboard.

The average period for the legal erection of a new billboard structure is between 8 – 12-months.

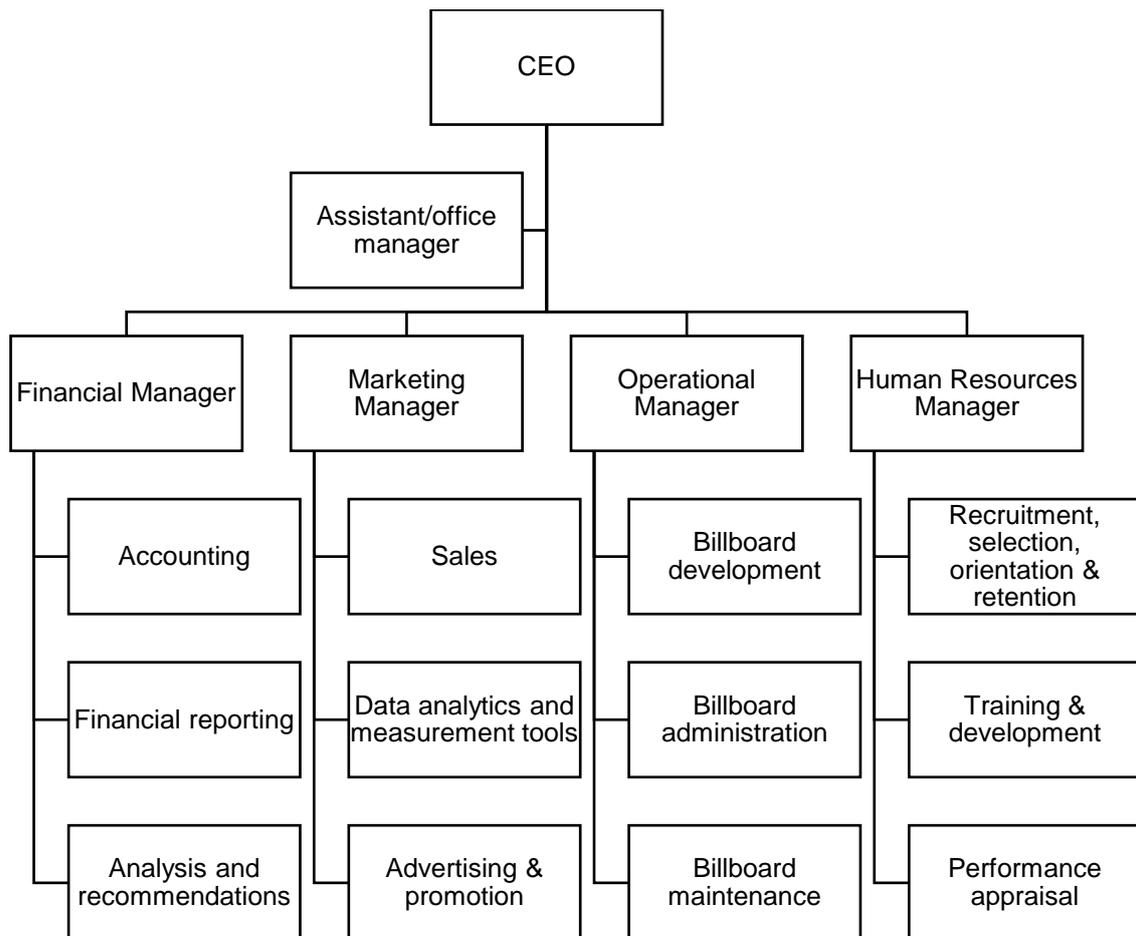
5.5 HUMAN RESOURCES PLAN

Human resources management was extensively discussed in section 3.2.2, and based on the analysis. It is highly recommended that at least one of the management team members is a lawyer, due to the high legal intensity of the industry, and another member should have extensive experience in the OOH billboard industry. As discussed during the VRIO analysis in section 4.1.2.3, the social complexity of a business is a great resource, and a new billboard company will need some social network to generate enough income to expand the business.

5.5.1 PROPOSED ORGANISATIONAL STRUCTURE

The functional organisational structure is proposed for a billboard company that is only functional in Gauteng, as there is no need for regional management coordination. For a start-up business, the workload will be minimal, especially when the billboard holding is still minor. Therefore, the most crucial roles will be that of the CEO, the financial manager, and the marketing manager. The CEO can perform the duties of the operational manager for the time being, and the advertising and promotion activities (e.g. website, social media, among others) can be outsourced.

Figure 5-4: Proposed organisational structure



Source: Created by the researcher

5.5.2 KEY PERFORMANCE INDICATORS

Performance appraisal is part of the human resource department’s responsibilities and refers to the evaluation of the individual performance of each of the employees. Every employee has specific responsibilities to help achieve the organisational goals, and the performance appraisals are used as a motivational technique to assess employees on their contributions and discuss their shortcomings.

The following individual key performance indicators (KPI’s) are proposed for each of the departmental managers:

5.5.2.1 Financial Manager:

| Nr. | Function | Key Performance Indicators (KPI) | General Performance Indicators (GPI) |
|---|----------|----------------------------------|---|
| 1 | Finance | Financial Management | Providing financial reports and interpreting financial information to managerial staff while recommending further courses of action |
| | | | Reporting on the financial state of the organisation |
| | | | Analyse costs, pricing, variable contributions, sales results, and the company's actual performance compared to the budget |
| | | | Develop trends and projections for the firm's finances (estimate report) |
| | | | Conduct reviews and evaluations for cost-reduction opportunities |
| | | | Oversee operations of the finance department |
| | | | Manage the preparations of the company's budget |
| | | | Liaise with auditors to ensure appropriate monitoring of company finances is maintained |
| | | | Correspond with various other departments, discussing company plans and agreeing on future paths to be taken (e.g., production costs) |
| | | | Undertaking strategic analysis and assisting with strategic planning |
| | | | Controlling income, cash flow and expenditure |
| | | | Developing and managing financial systems / models |
| | | | Carrying out business modelling and risk assessment |
| Supervising staff in respect of internal processes and procedures | | | |
| 2 | Finance | Accounting | Receive and verify invoices and requisitions for goods and services |

| | | | |
|---|---------|--------------------------|--|
| | | | Verify that transactions comply with financial policies and procedures |
| | | | Prepare, verify, and process invoices |
| | | | Monthly reconciliations: JV's; Landlords; Commission earners |
| | | | Maintenance of monthly loan accounts |
| | | | Ensuring monthly calculation and processing of amortisation and depreciation |
| | | | Prepare batches of invoices for data entry |
| | | | Manage daily payments |
| | | | Maintain accounts receivable / payable |
| | | | Maintain the general ledger |
| | | | Maintain updated vendor files and file numbers |
| | | | Print and distribute monthly financial reports |
| 3 | Finance | Financial Administration | Maintain a filing system for all financial documents |
| | | | Monthly bank reconciliations |
| | | | Maintain an up-to-date asset listing of company-owned equipment |

5.5.2.2 Marketing Manager:

| Nr. | Function | Key Performance Indicators (KPI) | General Performance Indicators (GPI) |
|-----|-----------|----------------------------------|---|
| 1 | Marketing | Head of sales | Monthly reporting on sales revenue accompanied with techniques to improve the current figures |
| | | | Report on the number and status of leads |
| | | | Weekly report on digital consumer traffic, i.e., the website, Facebook, Instagram. |
| 2 | Sales | Sales Administrative Assistant | Distribute marketing and specifications sheets to the sales team when required |
| | | | Send proof of flights; creative changes to sales representatives |
| | | | Assist sales representatives with the information required for successful sales pitches |

| | | | |
|---|-----------|----------------------|--|
| | | | Schedule weekly sales meetings, take minutes of meetings, distribute accordingly |
| | | | Keep availability list up to date (occupancy) |
| 3 | Marketing | Marketing stationery | Create marketing sheets for all sites, including both actual billboards and prospective billboards |
| | | | Keep marketing sheets updated with latest area developments, best photos. |
| | | | Keep Google Earth KMZ files always updated |
| | | | Create superimpositions for specific client proposals upon request |
| | | | Manage site and/or maintenance photos: Receive, rename, distribute accordingly monthly |
| | | | Manage the website |
| | | | Arrange and coordinate printing of all marketing stationary |

5.5.2.3 Operational Manager:

| Nr. | Function | Key Performance Indicators (KPI) | General Performance Indicators (GPI) |
|-----|----------------------|----------------------------------|---|
| 1 | Billboard Production | Production | Keep flighting schedule always updated |
| | | | Send production quotes to clients and sales representatives when requested |
| | | | Receive artwork from client/sales representative seven days before flighting date for all static billboards |
| | | | Evaluate the content of artwork to avoid possible risks |
| | | | Forward artwork to printer and request a JPEG that confirms the size and quality is right for printing |
| | | | Forward the artwork to the client/sales representative for final approval by the client before printing |
| | | | Arrange for the Epson to be delivered to the printer if so requested by the client |

| | | | |
|---|-----------------------|------------------------|--|
| | | | <p>Arrange for test prints to be delivered to the client if so requested</p> <p>Once the artwork is approved, ensure that all contractual agreements are in place and that both the production and rental purchase orders have been received in good order</p> <p>Request a quote from the printer and generate a purchase order to order the print formally. Indicate the delivery date on the purchase order with any other special requests.</p> <p>Coordinate flightings and de-flightings with flighters; arrange access where necessary, and send purchase orders before the actual flight date</p> <p>Send date-stamped proof of flight (POF) to the client or sales representative within 24 hours after receipt during weekdays, and 58 hours over weekends</p> |
| 2 | Billboard Maintenance | Maintenance | <p>Continuously communicate with the maintenance coordinator to know and understand his whereabouts</p> <p>Communicate all maintenance-related tasks to the maintenance coordinator</p> <p>Ensure that monthly maintenance photos are downloaded and named correctly; and that there are two photos per face; run-up and close-up.</p> <p>Ensure that the monthly status report on all billboards is received by the 10th of each month</p> <p>Ensure that Health and Safety Regulations are always obliged</p> <p>Monitor the promptness and quality of maintenance work by the maintenance team</p> <p>Ensure that maintenance-related tasks matters are attended to by the maintenance team</p> |
| 3 | Billboard Development | Design and Development | <p>Plot billboards on images and/or Google Earth screenshots</p> <p>Create Super Impositions as and when requested</p> |

| | | | |
|--|--|--|--|
| | | | Manage liaison between the company and third-party consultants and contractors |
| | | | Source erf numbers on GIS and/or Google Earth |
| | | | Create site plans |
| | | | Compile development proposals |
| | | | Create and update site specification sheets for distribution |
| | | | Draw up site plans |
| | | | Draw up locality plans |
| | | | Monitoring of billboard and building plan application |
| | | | Obtain engineering certificates |
| | | | Obtain engineering drawings |
| | | | Obtain Power of Attorney and Resolutions |
| | | | Obtain engineering certificates |

5.5.2.4 Human Resources Manager:

| Nr. | Function | Key Performance Indicators (KPI) | General Performance Indicators (GPI) |
|-----|-----------------|----------------------------------|--|
| 1 | Human Resources | Coordinator | Looking after the health, welfare, and safety of all employees |
| | | | Organising staff training sessions and activities |
| | | | Implementation and control of a company grievance procedure and disciplinary code |
| | | | Facilitate and update employee contracts |
| | | | Keep a record of employee leave and communicates it to company accountants |
| | | | Create new employee files and ensure all required information is received and filed |
| | | | Create and update KRA's and KPI's for all employees |
| | | | Schedule performance appraisals as and when instructed to do so, administrate process and give the necessary feedback. |

| | | | |
|--|--|--|--|
| | | | Ensure that the company hierarchy is always up to date and that it agrees with individual job descriptions and KPI's |
|--|--|--|--|

5.6 MARKETING PLAN

5.6.1 CUSTOMER DEMANDS AND TRENDS

A detailed analysis was conducted to establish the ten most significant customer demands and trends for 2021:

- There will be a consistent increase in digital outdoor advertising (DOOH).
- Brands are embracing the power of storytelling to capture the attention of consumers by not exposing the ending in the first advertisement; research indicated that this technique leads to increased retention and recollection of consumers.
- Advertisers are exploring new advertising opportunities in busy public areas (i.e., airports, public transport areas.) by making use of smaller advertisements and blank walls as a substitute for traditional billboards.
- Advertisers are making use of 'smart ads' that are designed to interact with the target audience.
- Technology has enabled advertisers to integrate mobile phones and outdoor advertising by using beacons to communicate with the consumer when passing the billboard.
- Advertisers are integrating all their communication channels to ensure a coherent and consistent brand image.
- Billboard advertising is used for its broad audience reach, but continually improving media measurement tools have enabled advertisers to focus their reach and thus lower their expenses.
- The new data-driven approach has allowed advertisers to spend their advertising budgets as effectively as possible, which will undoubtedly encourage more creative advertisements.
- Large companies are increasingly excluding third-party advertising agencies and establishing in-house marketing teams.

- Consumers have high expectations from brands to deliver authentic and genuine products and services, as promised in their advertising campaigns.

5.6.2 CUSTOMER SEGMENTATION

The different market segments of the business can be categorized as follows:

- **External advertising agencies:** Advertising agencies represent some of the largest advertisers in the industry, so it is crucial to maintain good relationships with all agencies, no matter the size. The two most valuable people (to a media owner) in an advertising agency is the account executive and the account planner. They have the most authority as they represent the advertiser.
- **Media planners:** Media planners are responsible for formulating the media program and deciding where and when the advertisements will be placed.
- **Direct clients:** Direct clients are suitable for the cash flow because that minimises commission as an expense. Direct clients require more attention and therefore, a knowledgeable sales representative of the company. Direct clients are any advertiser that sign an advertising agreement directly with the media owner and not through an agency.
- **Other media owners:** Media owners can book billboards among each other to secure a sale, increase the advertiser's holding.
- **Printers:** Some advertisers do their own printing which allows the printer a word-of-mouth opportunity to the prospective client.
- **Flighters:** Some advertisers arrange their own flighting, which allows the flighter a word-of-mouth opportunity to the prospective client.

5.6.3 COMMUNICATION CHANNEL ANALYSIS

Communication channels refer to the different communication tools that are available to advertisers to communicate with their target audience. The communication channels are paired with the customer phases: 1) awareness, 2) evaluation, 3) purchase, 4) delivery, 5) use, and 6) after-sales support. The proposed communication channels were identified through the communication channel analysis in section 4.1.3.5.3.

5.6.4 CUSTOMER RELATIONSHIPS

Good customer relationships are essential to gain trust and loyalty from consumers. Customer relationship management is focused on reaching new customers and retaining current customers in such a way that they spend more money. A detailed analysis was conducted on all six of the generic customer relationship types in section 4.1.3.5.4.

5.6.5 MARKETING STRATEGY

Marketing forms an integral part of any successful business. It is essential to establish marketing channels that can effectively communicate with the target audience. The marketing strategy will focus on:

- accurately combining strategies with current consumer trends
- assigning the correct channels to the different customer segments to ensure maximum reach
- establishing marketing platforms (communication channels)
- the implementation of loyalty programmes

5.6.5.1 Strategies based on customer demands and trends

The complete customer demands and trends analysis was conducted in section 4.1.3.5.3, so for this discussion, the trends will not be discussed in detail, as the focus will be on the proposed strategies.

Table 5-1: Proposed marketing strategies based on consumer trends

| Customer demand/trend | Marketing strategy |
|---|---|
| The consistent increase in digital outdoor advertising (DOOH) | <ul style="list-style-type: none"> • The billboard company should target advertisers who prefer traditional billboards compared to digital billboards • The billboard company should target advertisers who do not have the budget to advertise on digital billboards |
| Brands are embracing the power of storytelling | <ul style="list-style-type: none"> • The billboard owner should identify a location where three or more billboards can be constructed in a sequence (250m – 500m apart) to create the perfect ‘storytelling’ platform • The storytelling technique will most likely encourage advertisers to book long-term contracts as they need space to do several creative changes. This creates an opportunity for the billboard owner to offer a discount on the production costs, or sponsor one creative change, in exchange for a minimum 6 – 12-month contract. |
| Growth in advertising opportunities | <ul style="list-style-type: none"> • As advertisers are focusing their attention on busy public spaces, the billboard owner should search for locations that are situated near airports, malls. • The billboard owner should obtain approvals for wall signs; these structures cost much less and generate considerable income for the business. This should be used as a cash cow to generate money to grow the billboard holding. |
| Smart advertisements | <ul style="list-style-type: none"> • Advertisers might be more interested in large format billboards as they capture more attention. Large billboards generate considerable income for the business, and the billboard owner should ensure that large format sites are available at prime locations • The billboard creatives will become increasingly creative, which creates an opportunity for the media owner to propose innovative solutions that will capture the attention of many future advertisers • The billboard media owner should use this opportunity to inform advertisers that customised designs are part of the company’s value proposition |
| Mobile integration in outdoor advertising | <ul style="list-style-type: none"> • Traditional billboard owners can buy the technology to use on traditional billboards to deliver the same results as a digital billboard |

5.6.5.2 Marketing channels integrated with customer segments

The market segments and marketing channels were discussed in sections 4.1.3.5.2 and 4.1.3.5.3. The aim with the integration of these two elements is to ensure maximum reach through the elimination of fruitless marketing exercises.

Table 5-2: Marketing channels and customer trends

| Customer segment | Suggested marketing channels |
|-------------------------------|---|
| External advertising agencies | <ul style="list-style-type: none"> • Free billboard advertising space for the agency • Word of mouth • Email database • Network functions • Website • Social media • Billboard promotions • Dedicated personal assistance • Media measurement software (OMC) • Prompt payment discount offering |
| Media planners | <ul style="list-style-type: none"> • ‘Advertise here’ banners on available billboards • Website • Social media • Proposals and superimpositions • Word of mouth |
| Direct clients | <ul style="list-style-type: none"> • Cold calling • Word of mouth • ‘Advertise here’ banners • Proposals and superimpositions • Sales team • Website • Social media |
| Other media owners | <ul style="list-style-type: none"> • Email database • Prompt payment discount • Website • Social media • Networking functions |
| Printers | <ul style="list-style-type: none"> • Maintain good personal relationships |
| Flighters | <ul style="list-style-type: none"> • Maintain good personal relationships |

5.6.5.3 Suggested marketing platforms

The following marketing platforms are suggested for a billboard company:

- Facebook: Most of the advertisers and media agencies use Facebook as an advertising tool. The billboard company should make sure that all the information on the page is correct and that the website link is visible on all social media platforms. Nice pictures of existing and new billboards should be posted together with all the information that is available on the board, and this will assist in the decision-making process of both advertisers and advertising agencies.
- Instagram: Although Instagram is not so prominent in the billboard industry, many people and influencers are on Instagram. The billboard company should consider speaking to a well-known influencer that can write an article or merely post a 'selfie' on his/her profile.
- Website: It is essential that the website reflects the company's culture and values, and that all the required information is readily available. An online booking system will be very beneficial, and all the relevant information of all the billboard sites should be easily accessible.
- LinkedIn: LinkedIn is a bit more focused on professionals but a powerful networking tool. Many professionals prefer LinkedIn compared to Facebook, so the company needs to cover all its bases.
- Email database: Email has become a straightforward communication tool and is linked directly with the website of the business.
- Video marketing: People are fascinated with the billboard industry and the construction of these large structures. It is becoming increasingly popular to take a time-lapse video of during the construction of a new site and keep consumers interested in the end-product

5.6.5.4 Loyalty programmes

The purpose of loyalty programmes is to encourage consumers to stay loyal to the brand and to spend more on the brand. The following recommendations should be considered:

- If advertising rental agreements are renewed for a minimum of 12-months, each site receives a free production.
- Prompt payment discount on large accounts.
- If advertising agencies obtain a specified number of contracts, say for example 10, then they receive one month's free advertising space.

5.6.5.5 The business model canvas

The business model canvas was designed by Alexander Osterwalder, as a tool to understand the business model in its most basic form (BMI, 2020). The business model canvas summarises the customers of the business and provides insights about them, and it identifies the value propositions the business offers and the channels it uses. The business model canvas is a great tool used to understand the direct competitors of a business better.

| | | | | |
|--|--|--|--|---|
| <p>Key Partners </p> <ul style="list-style-type: none"> • Printers • Flighters • Municipalities (approvals) • Townplanners • Structural engineers • Application consultant • Billboard construction company • Landlord • Joint Venture partner • Graphic designer • OMC • Outdoor auditors | <p>Key Activities </p> <ul style="list-style-type: none"> • Billboard rental • Billboard production • Billboard development | <p>Value Propositions </p> <ul style="list-style-type: none"> • Producing top quality billboards at prime locations in Gauteng • Dedicated personal assistance • Personalised billboard design according to clients' needs • Low billboard production costs • Offer a large variety of billboards • Online billboard bookings • Quality after-sale service delivery • Eco-friendly | <p>Customer Relationships </p> <ul style="list-style-type: none"> • Personal assistance • Dedicated personnel • Community involvement • Co-creation • Self-service • Automated service | <p>Customer Segments </p> <ul style="list-style-type: none"> • External advertising agencies • Media planners • Direct clients • Other media owners • Printers flighters |
| <p>Key Resources </p> <ul style="list-style-type: none"> • Qualified staff • Billboard maintenance equipment • Application process support staff • Location • Company culture • Brand name | | | <p>Channels </p> <ul style="list-style-type: none"> • Direct sales • Online sales • Social media • Email • Telephone • Website | |
| <p>Cost Structure </p> <ul style="list-style-type: none"> • Billboard application fees • Landlord rental • JV partnership share • Commission • Rent • Maintenance • Marketing • Labour | | <p>Revenue Streams </p> <ul style="list-style-type: none"> • Billboard rental • Mark-up on production costs | | |

5.1 FINANCIAL PLAN

5.1.1 PRICING

The advertising cost of a billboard is primarily determined by its location, the geographic market, the visibility, and the term of the booking. There is no guideline to determine the monthly rental of a single billboard advertising space; two factors determine those figures:

- media owners who have been in the industry for many years and can estimate the rental value through experience, and
- the monthly rental of the surrounding billboards

The safest way to determine the monthly rental for a billboard face is to conduct a break-even analysis to determine the minimum acceptable monthly rental.

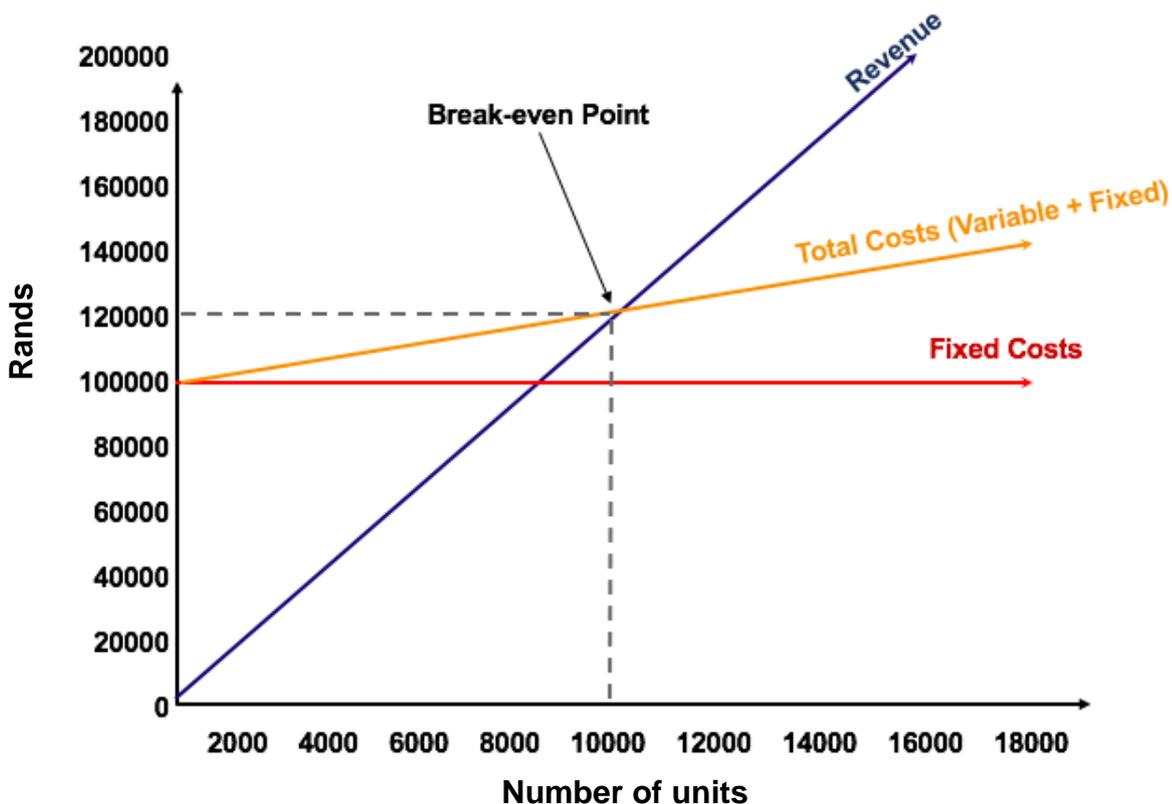
5.1.2 BREAK-EVEN ANALYSIS

A break-even analysis explores the relationship between the total expenses and the total revenue of a business. In this case, the breakeven analysis refers to the point where the total costs and the total revenue is equal. The breakeven analysis is used to determine the amount for which the billboard must be sold to cover all its costs (fixed and variable).

The breakeven analysis is essential for two main reasons:

- 1) It indicates how much income the business must generate to cover its expenses
- 2) Everything above the breakeven point is cash that can be used to cover taxes, pay dividends, and reinvest in the business.

Figure 5-5: Break-even point



Source: CFI (2020)

The break-even calculation can be done in three steps:

- 1) The contribution margin: The contribution margin indicates that the variable expenses of (for example) R20 are covered and that R80 is available to contribute towards the fixed expenses, taxes, dividends, and reinvestment.
 $\text{Revenue per unit} - \text{variable expenses per unit} = \text{contribution margin per unit}$
 In other words: $R100 - R20 = R80$
- 2) The contribution margin ratio: $\text{Contribution margin per unit} / \text{revenue per unit} = \text{contribution margin ratio}$
 In other words: $R80 / R100 = \text{Contribution margin ratio (80\%)}$
- 3) The break-even point in revenue: $(\text{Fixed expenses} + \text{desired profit}) / \text{contribution margin ratio} = \text{break-even point in revenue}$
 In other words: $(R480 + R400) / 80\% = R1,100$

Notes on the method of calculation applied to billboards:

- a) The fixed expenses are allocated and adjusted per individual billboard agreement and include expenses like commission, landlord rental, JV share, and the deduction of an admin fee (where a JV partner is involved)
- b) The prompt payment discount (PPD) value is calculated at 2,25 %
- c) The commission rate is calculated at 10% and not related to size
- d) The insurance and security expense on the billboards should also be taken into consideration (where applicable)
- e) The Maintenance expense is set at 0,5% of the turnover
- f) The wear and tear of the billboards are calculated at a lifetime of 10 years (as prescribed by SARS based on Company Tax calculations)

5.1.3 FINANCIAL BUDGET

The budget is the financial forecast of the business. It is only for a specified time, usually a year, and includes the projected sales, expenses, assets, among others. As mentioned in section 5.1.1, it is nearly impossible to do a financial forecast for a start-up billboard company, as the pricing is impossible to project without knowing what type of billboard will be erected, what the size of the billboard will be, and where the location of the billboard will be. Due to the lack of information, a complete budget template will be provided

Table 5-3: Proposed budget template for a billboard company

| BUDGET 2021 | Mar-21 | Apr-21 | May-21 | TOTALS Q1 | Jun-21 | Jul-21 | Aug-21 | TOTALS Q2 | Sep-21 | Oct-21 | Nov-21 | TOTALS Q3 | Dec-21 | Jan-22 | Feb-22 |
|---|---------------|---------------|---------------|------------------|---------------|---------------|---------------|------------------|---------------|---------------|---------------|------------------|---------------|---------------|---------------|
| Fixed Assets: | | | | | | | | | | | | | | | |
| TOTAL BILLBOARDS @ Cost Price | | | | | | | | | | | | | | | |
| OTHER | | | | | | | | | | | | | | | |
| TOTAL OTHER FIXED ASSETS @ Cost Price | | | | | | | | | | | | | | | |
| Other Assets: | | | | | | | | | | | | | | | |
| Commercial Loans | | | | | | | | | | | | | | | |
| JV Partner loans | | | | | | | | | | | | | | | |
| Share transactions | | | | | | | | | | | | | | | |
| Deposits Landlord & Electricity | | | | | | | | | | | | | | | |
| Work In Progress | | | | | | | | | | | | | | | |
| Total Invested Capital | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | |
| TOTAL NUMBER OF BILLBOARDS | | | | | | | | | | | | | | | |
| Occupancy Rate Existing Boards | | | | | | | | | | | | | | | |
| Existing Boards - Contracted | | | | | | | | | | | | | | | |
| Contracted Sales | | | | | | | | | | | | | | | |
| Commission | | | | | | | | | | | | | | | |
| Landlord Rental | | | | | | | | | | | | | | | |
| JV Rental | | | | | | | | | | | | | | | |
| Struture Rigging & Rental | | | | | | | | | | | | | | | |
| GP% | | | | | | | | | | | | | | | |
| Existing Boards - Vacancies to be filled | | | | | | | | | | | | | | | |
| Contracted Sales | | | | | | | | | | | | | | | |
| Commission | | | | | | | | | | | | | | | |
| Landlord Rental | | | | | | | | | | | | | | | |
| JV Rental | | | | | | | | | | | | | | | |

| | | | | | | | | | | | | | | | |
|---|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
| Consulting Fees | | | | | | | | | | | | | | | |
| Directors Emoluments | | | | | | | | | | | | | | | |
| Entertainment | | | | | | | | | | | | | | | |
| Insurance | | | | | | | | | | | | | | | |
| Legal Fees | | | | | | | | | | | | | | | |
| Printing & Stationery | | | | | | | | | | | | | | | |
| Rent | | | | | | | | | | | | | | | |
| Salaries (marketing Assistant) | | | | | | | | | | | | | | | |
| Secretarial Fees | | | | | | | | | | | | | | | |
| Travel & Accommodation | | | | | | | | | | | | | | | |
| Unsuccessfull opportunities | | | | | | | | | | | | | | | |
| Workman's Compensation | | | | | | | | | | | | | | | |
| P&G's (General Expenses) | | | | | | | | | | | | | | | |
| TOTAL ADMINISTRATIVE EXPENCES | | | | | | | | | | | | | | | |
| % | | | | | | | | | | | | | | | |
| R PER BB | | | | | | | | | | | | | | | |
| EBITDA | | | | | | | | | | | | | | | |
| % | | | | | | | | | | | | | | | |
| ROIC | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | |
| AMORTISATION | | | | | | | | | | | | | | | |
| DEPRECIATION | | | | | | | | | | | | | | | |
| LOSS ON SCRAPPING OF ASSETS | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | |
| EBIT | | | | | | | | | | | | | | | |
| % | | | | | | | | | | | | | | | |
| INTEREST SHAREHOLDERS & LOAN | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | |
| EARNINGS BEFORE TAX | | | | | | | | | | | | | | | |

| | | | | | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
| % | | | | | | | | | | | | | | | |
| TAX | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | |
| NET PROFIT AFTER TAX | | | | | | | | | | | | | | | |
| % | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | |
| CASH GENERATED (excl. Shareholders Interest) | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | |
| TOTAL CAPEX (DEPRECIABLE VALUE) | | | | | | | | | | | | | | | |

5.1.4 INCOME STATEMENT

The three critical financial statements for any business include the income statement, the balance sheet, and the cash flow statement. The income statement also referred to as the profit and loss statement or the statement of revenue and expenses and reports the financial performance of the business over a given period. The keynotes of an income statement include:

- i. Net income = (total revenue + gains) – (total expenses + losses)
- ii. The total revenue equates to the sum of both the operating and non-operating income, i.e., billboard rental and billboard production cost
- iii. The income statement of a business reports on valuable insights regarding the company’s operations, management’s efficiency, under-performing sectors and the performance of the company in contrast to competitors.

Table 5-4: The proposed income statement for a billboard company

| | March 2021 |
|------------------------------|-------------------|
| Sales | |
| Billboard Rental | |
| Production Cost | |
| | |
| Less: Cost of Sales | |
| Landlord Rental | |
| JV Rental | |
| Electricity Costs | |
| Insurance Costs | |
| Planning and Legal Fees | |
| Maintenance Costs | |
| Flighting Costs | |
| Printing Costs | |
| Commission | |
| Prompt Payment Discount | |
| | |
| Gross Profit / (Loss) | |
| | |
| Add: Other Income | |
| Discount Received for Cash | |
| Interest Received | |

| | |
|--------------------------|--|
| Insurance Income | |
| | |
| Gross Income | |
| | |
| Less: Expenses | |
| Administration Fee | |
| Advertising & Promotions | |
| Auditor Fees | |
| Bank Charges | |
| Consulting Fees | |
| Courier & Postage | |
| Depreciation | |
| Entertainment Expenses | |
| Finance Charges | |
| Insurance | |
| Marketing Administration | |
| Printing & Stationery | |
| Professional Fees | |
| Subscriptions | |
| Travel & Accommodation | |
| | |
| EBITDA | |

5.1.5 BALANCE SHEET

The balance sheet plays an imperative role in both financial modelling and financial accounting. The balance sheet also referred to as a statement of net worth or a statement of financial position, shows the total assets of the company, and gives an indication of how these assets are financed, i.e., debt or equity.

Table 5-5: Proposed balance sheet for a billboard company

| | March 2021 |
|-------------------------------|-------------------|
| Assets | |
| Non-Current Assets | |
| Property, plant and equipment | |
| Other financial assets | |
| | |
| Current Assets | |
| Inventories | |
| Trade and other receivables | |
| Cash and cash equivalents | |
| | |

| | |
|-------------------------------------|--|
| Total Assets | |
| Equity and Liabilities | |
| Equity | |
| Share capital | |
| Accumulated loss | |
| | |
| Liabilities | |
| Non-Current Liabilities | |
| Loans from shareholders | |
| Current Liabilities | |
| Trade and other payables | |
| Total Liabilities | |
| Total Equity and Liabilities | |

5.1.6 STATEMENT OF CASH FLOWS

The statement of cash flows, also referred to as the cash flow statement serves as a bridge between the income above statement and balance sheet. The purpose of the cash flow statement is to report on the money that was generated and spent for a specific period. The cash flow statement consists of three sections:

- i. Operating activities: This refers to the primary activities and other activities of a business that generates revenue from current assets and current liabilities, this excludes investing and financing
- ii. Investing activities: This refers to any cash flow that was generated from the acquisition and disposal of long-term assets and any other investments that are not included in cash equivalents
- iii. Financing activities: This refers to any cash flow that drives change in equity capital or borrowings, i.e., bonds, stock, dividends

Table 5-6: Proposed cash flow statement for a billboard company

| | March 2021 |
|--------------------------------------|-----------------------|
| Cash flows from operating activities | |
| Cash used in operations | |
| Interest income | |

| | |
|---|--|
| Finance costs | |
| Net cash from operating activities | |
| Cash flows from investing activities | |
| Purchase of property, plant and equipment | |
| Loan to related / other party | |
| Net cash from investing activities | |
| Cash flows from financing activities | |
| Proceeds on share issue | |
| Proceeds from shareholders loan | |
| Net cash from financing activities | |
| Total cash movement for the year | |
| Total cash at end of the year | |

5.1.7 EXIT STRATEGY

An exit strategy is a contingency plan that is consciously determined by a business owner in certain circumstances. The main reason for planning an exit strategy is to minimize losses in possible future scenarios; some of these include:

- The business owner might want to implement an exit strategy due to a non-performing investment or an unprofitable business,
- The financial objectives have been met, and the owner is moving on to the next venture,
- Another reason might be due to unforeseen circumstances that drastically change the market conditions, and the Covid-19 pandemic is a good example.

As previously mentioned, the idea of an exit strategy is to be proactive in minimizing losses. The following strategies are proposed:

- 1) Sell the shares of the billboards to the joint venture partners (where applicable),
- 2) In the case where there is no JV partner, the billboards can be proposed to other billboard companies,

- 3) If approvals have been obtained, but the construction of the site has not started, those approvals can also be sold to other billboard owners,
- 4) Selling the company as a whole
 - Find the right buyer
 - Consult an advisor regarding a fair price and appoint an attorney to ensure the legal documents are in order
 - Before entering negotiations, decide on a minimum acceptable amount

CHAPTER 6: CONCLUSIONS AND RECOMMENDATIONS

6.1 INTRODUCTION

In this chapter, the conclusions of the research study will be explained and recommendations will be made accordingly. An in-depth analysis was conducted in the OOH industry, and a complete business plan was derived from the analysis.

6.2 LIMITATIONS

The limitation of this research project was the fact that the study only focused on a billboard company based in Gauteng. Although the proposed internal business processes and procedures will apply to a billboard company in any province, the by-laws differ considerably. This study is only focused on traditional (static) billboards, not digital billboards. The fact that there are no other business plans available for a billboard company poses another limitation because no comparisons can be made.

6.3 CONCLUSION ON FINDINGS FROM THE STRATEGIC OVERVIEW

- OOH advertising is the most affordable advertising tool when calculated as a cost per 1,000 views
- The business's proposed functional areas include operational management, marketing management, human resource management and financial management
- The operational function can be divided into three main categories: billboard development, billboard management, and billboard maintenance
- Billboard approvals are obtained from the governing municipality of the specified area and are subject to a set of by-laws set out by the municipality above
- A functional organisational structure is proposed for the business

6.4 ANALYSIS TOOLS USED IN THE ORGANISATION ANALYSIS

- SWOT analysis
- Internal value chain analysis
- VRIO analysis (value, rareness, imitability, organisation)
- Industry driving forces
- Industry key success factors
- PESTLE analysis
- Porter's five forces
- Customer demands and trends
- Customer segmentation
- Communication channel analysis
- Customer relationships

6.5 RECOMMENDATIONS BASED ON THE PROPOSED BUSINESS PLAN

6.5.1 INDUSTRY ANALYSIS

The industry analysis focused on the value chain of the advertising industry, the industry driving forces and the key success factors for long-term competitive advantage. In summary, the following recommendations were made:

- **Technology:** A current or new billboard owner should acquire the necessary software subscriptions and licences to obtain OOH measurements and analytics regarding the reach and frequency of the advertisements. Further to the above, media owners should increase their online presence through social media and self-help websites.
- **Manufacturing:** Billboard owners should consider eco-friendly manufacturing materials for the billboard structures, and the printing of the billboard banners can be done on biodegradable materials.
- **Distributions:** A strong sales team should be employed to establish a strong network with direct clients. The company should also establish and nurture good relationships with advertising agencies.

- Marketing: Innovative and creative marketing techniques should be applied to all marketing and promotional activities.

6.5.2 OPERATIONAL PLAN

The operational plan is concerned with the day-to-day operations of the company to ensure that the company reached its goals and objectives. The operations of a billboard company were divided into three categories, namely:

- 1) Billboard development: Billboard development is concerned with the expansion of the existing billboard holding. The person/s responsible for billboard development should identify prime billboard locations, conduct a feasibility study, obtain approval from the landowner to erect a billboard on the specified site, identify a suitable joint venture partner if/when needed, go through the necessary processes to obtain approval from the governing municipality and manage the construction of the billboard to ensure that it is erected according to schedule.
- 2) Billboard administration: This category is responsible for the management of the existing advertising space, the printing and installation of the advertising banners, and the management of the existing billboards, i.e., approvals, landlord agreements, and JV agreements.
- 3) Billboard Maintenance: The maintenance team should ensure that the billboard structures are maintained and upgraded according to the stipulated standards.

6.5.3 HUMAN RESOURCES PLAN

The human resources department aims to recruit the best-suited people for the job at hand; and to train, develop and retain them as future company assets. The following recommendations were made:

- A functional organisational structure was proposed because it groups employees based on their areas of expertise and provides them with the necessary tools to perform their tasks

- Proposed key performance indicators for the financial manager, human resource manager, marketing manager and operational manager.

6.5.4 MARKETING PLAN

The marketing management function is concerned with several activities that aim to anticipate and fill consumer wants and needs and is crucial to the success of any business. The following recommendations were made for the marketing plan:

6.5.4.1 CUSTOMER DEMANDS AND TRENDS

- There will be a consistent increase in digital outdoor advertising (DOOH).
- Storytelling will be used as an advertising technique.
- Advertisers make use of small advertising spaces in busy public areas.
- 'Smart ads' will be used for consumer interaction.
- Billboards will be integrated with mobile phones.
- Advertisers are integrating all their communication channels to ensure a coherent and consistent brand image.
- Billboard advertising is used for its broad audience reach, but continually improving media measurement tools have enabled advertisers to focus their reach and thus lower their expenses.
- The new data-driven approach has allowed advertisers to spend their advertising budgets as effectively as possible, which will undoubtedly encourage more creative advertisements.
- Large companies are increasingly excluding third-party advertising agencies and establishing in-house marketing teams.
- Consumers have high expectations from brands to deliver authentic and genuine products and services, as promised in their advertising campaigns.

6.5.4.2 CONSUMER SEGMENTATION

- External advertising agencies
- Media planners

- Direct clients
- Other media owners
- Printers
- Flighters

6.5.4.3 COMMUNICATION CHANNEL ANALYSIS

The communication channel analysis was conducted by integrating the consumer phases (awareness, evaluation, purchase, delivery, use, and after-sales support) with the best-suited communication channels, some of these include social media, networking, website.

6.5.4.4 BUSINESS MODEL CANVAS

The business model canvas is a tool used to understand the customers of the business and provide insights about them; it also identifies the value propositions the business offers and the channels it uses. The business model canvas is a great tool used to understand the direct competitors of a business better.

6.5.5 FINANCIAL PLAN

The financial plan is essential for financial projections and possible investors. It is almost impossible to project the financial position of a start-up billboard company due to all the variable elements, i.e. the waiting period of the billboard approvals are unpredictable. Therefore it is hard to project the income when there is no surety of when the billboard will be constructed; the location of the billboard determines its income. Therefore the advertising rental cannot be determined before the location of the billboard has been finalised. The following was discussed for the financial plan:

- Pricing: The pricing of a billboard is determined by its location, the geographic market, the visibility, and the term of the booking
- The break-even analysis: The aforementioned analysis is proposed to determine the minimum rental of a billboard. The calculation is used to determine the

income needed to cover all the expenses of the billboard: Revenue per unit – variable expenses per unit = contribution margin per unit

- The financial budget, income statement, balance sheet, and the cash flow statement: A proposed template for the budget, income statement, balance sheet and cash flow statement was inserted to assist the owner with the financial planning of the business

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