

The Economic Context of Signs: Designing for Success

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The economic well-being and fiscal health of a community depend to a significant degree on the success of its commercial districts. Retail and service businesses provide jobs and income for residents. They also contribute to the property and sales tax base, which, according to common wisdom, translates to revenues for the local government from a source other than residential property taxes, thereby helping to reduce or stabilize property tax bills of homeowners and businesses. This chapter describes the role on-premise business signs play in the success of retail and service businesses. It begins with an assessment of the function of on-premise signs as identification and advertising devices. The chapter also addresses the relationship between sign economics and sign appearance, and how the economic context of signs can vary between communities and among districts within a single community. Further, it presents information from the three primary sources of research on sign value, which are industry-sponsored studies, appraisals and evaluations of on-premise signage, and nonscientific studies by sign makers and sign users. Finally, the chapter addresses the changes in the retail environment that affect signage, including new trends in consumer behavior, the increased domination of national and regional chains, and the unique signage needs of small independent businesses.

SIGNS AS IDENTIFICATION, ADVERTISING, AND WAYFINDING DEVICES

The primary function of a sign is to provide identification for a business. By helping consumers recognize that they have arrived at their intended destination or by triggering an impulse to make a purchase, signs help facilitate consumer transactions that allow businesses to be successful. Successful businesses make for vital local economies and a stable tax base. Using color, light, and visually interesting symbols, letters, logos, and other information, signs can enliven commercial areas and make them attractive places to shop. Signs also function as cost-effective advertising by making potential customers aware of the business and the products or services offered. As advertising mechanisms, signs facilitate competition among businesses, which, in turn, can benefit consumers by providing more information about products and services, which can lead to lower prices. Finally, signs function as a wayfinding device. They help people find their way to a specific business, trigger their ability to recall the location of a business, and function as a marker, telling people where they are in relation to where they are going.¹

There are two schools of thought on how best to balance a sign's function as an identification mechanism with its role as an advertising medium. One school of thought suggests that signage should be limited to the amount necessary to provide conspicuous and legible identification for a business or activity, and that no greater allowance (in the way of increased size, number, or illumination) should be made for the purposes of advertising.² The other school of thought is that on-premise signs serve equally as a means of identification and as "place-based" advertising.

Healthy economies are dependent on the success of retail and service businesses, and that success is to some degree attributable to the advertising function of on-premise signs. In the view of many sign makers, in communities where a healthy local economy is a primary goal, sign codes that subordinate the advertising functions of a sign may undermine the ability of businesses to reach customers, to compete effectively, or to maximize their potential. Allowing businesses and sign designers greater latitude, it is thought, can result in increased sales for some businesses and help establish a more colorful and interesting streetscape. Providing sign regulators with flexibility to approve innovative and creative designs can also help businesses succeed and commercial districts to develop and thrive. Furthermore, some independent merchants believe that restrictive sign codes may be a contributing factor in providing an advantage to national franchises and chains over locally owned independent proprietors, particularly very small stores in automobile-oriented commercial areas. Using widely recognized colors and corporate logos, on-premise signage for franchises reinforces a national advertising campaign; for an independent retail or service business, an on-premise sign may be the sole point of external contact with potential customers. And so it follows that the less visible and readable the sign of a small business is, the less effective it is as an advertising tool, which may hinder the ability of the business to compete. On the other hand, a commonly intended purpose of sign code provisions that limit the size and number of signs—including signs with recognizable corporate logos—is to level the playing field for all businesses. Local businesses also ultimately bear responsibility to spend time, effort, and money to make their signage and store appearance interesting and unique in order to compete more effectively with the national chains.

THE COMPLEX RELATIONSHIP BETWEEN ECONOMICS AND AESTHETICS

For planners, balancing economic and aesthetic concerns in a community is a complex endeavor, with no clear-cut formula. Signs are just one of many factors that determine whether a district or community will succeed or fail. On the positive side, high-quality architecture and building materials, well-designed streets with clearly defined routes, professionally produced signs, street furniture, and lighting and other pedestrian amenities all contribute to a high-quality environment where business can succeed and people want to go. On the negative side, vacant storefronts, marginal businesses, illegal or poorly maintained signs, crumbling infrastructure, rampant disinvestment, and illicit activity can individually or collectively create negative commercial environments that are difficult to turn around. Because this is a study of appropriate regulation of on-premise signs, the focus here is on balancing three “needs”:

1. The needs of a business to identify itself and attract customers
2. The needs of a citizen to be able to locate a business and find a desired product
3. The needs of a community to create or preserve a visual environment that is in keeping with the professed preferences of its citizens and business community



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In drafting a sign ordinance, planners should work with businesses to decide how much and what type of signage is appropriate for businesses in a district, given building setbacks, street width, traffic speeds, and other factors. In the picture above, the minute, monochromatic signage afforded each tenant in this Cleveland strip mall does not serve the businesses or their customers well at all. In contrast, the relatively minimal signage in the strip mall in a Chicago suburb, below, where tenants are allowed to use colors and logos, works effectively, both in terms of its fit with the architecture and the building setbacks.

There are five issues that must be considered in an effort to understand this balancing act.

First, although a form of constitutionally protected free speech, signs exist in the public realm.³ This distinguishes signs from most other actions of free enterprise and many other expressions of speech because, in the public setting, they are subject to public opinion and local regulation—the legitimacy of which has been upheld in courts on both safety and aesthetic grounds.

Second, there is a common but often incorrect assumption that the trade-off between economic value and aesthetic quality (as expressed through sign codes) is direct and automatic (i.e., smaller signs always have less advertising value; large signs are always less attractive). The real question should be how much and what type of signage is appropriate for businesses in a given district given both the economic and aesthetic contexts of the area. (See Chapter 3 for a discussion of a “typology” for districts and signage.)

Third, it is difficult to pinpoint a threshold above which the cumulative impact of too many large signs (all of which are working individually to provide identification and advertising for the business on the premises) results in a confusing, unattractive streetscape that creates an undesirable place to do business. Sign codes enacted to set broad limits on the size and number of signs to try to solve the clutter problem may have the effect of limiting a sign's utility to a business and its customers, and the business's ability to compete in the marketplace. In fact, it is possible to err in both directions. Regulations that mandate fewer signs, small signs, or both may not necessarily create an attractive commercial district and can result in an economic detriment to businesses. On the other hand, overly permissive regulations that allow many large signs that compete with one another can essentially negate the identification and advertising value of any one sign. Collectively, such clutter can create a haphazard, unpleasant commercial scene.

A fourth issue, examining the business's legitimate need to identify itself and a community's desire for aesthetic quality, also requires consideration of how sign guidelines are created in a community. For most planners, the ideal process is one that engages businesses, sign makers, and citizens in determining what a community should look like—the outcome being a sign ordinance and/or design guidelines that are fair, enforceable, and politically supportable. Of course, this is not always the case. Some sign ordinances are enacted without the benefit of the involvement of those most directly affected. Furthermore, in some communities, design guidelines are allowed to exist essentially in the minds of design review board members and planning staff. This latter scenario is what has led many sign manufacturers and business owners to conclude that “the functional value of signs is usually ignored when it comes to the matter of zoning ordinances. Function is often abandoned in favor of the amorphous subject of aesthetics as perceived by some small group within a given community” (Anderson 1983, 2).

And, finally, a fifth issue is the role signage plays in affecting the economic value of a district or commercial corridor, as that value is expressed through declining, stable, or rising property values. Three scenarios or contexts that illustrate this point are discussed in the following sections.

Sign Blight

A proliferation of decrepit, illegal, and poor-quality signage can be a key indicator that a community or district is economically distressed. Signs are such a vital component of the public face of a business district that when, collectively, their appearance is poor, they can exacerbate the negative image of an area and actually contribute to its decline.

Laissez-faire Approach

There is also value created in certain types of districts when local government takes a hands-off approach to regulation or when signs are allowed to exceed the typical size, placement, and illumination levels. Some of the most vibrant and exciting commercial districts came about before there was any control on development. The many Chinatowns and other ethnic commercial districts in North America, with neon signs, projecting signs, banners, sidewalk displays, open doors, and crowded passageways are illustrative of sense of place that is born out of disorder and an absence of regulation (Anderson and Bunster-Ossa 1993). Another example is entertainment districts (the Las Vegas Strip and Times Square being the clearest examples) that use spectacular signs—where the sign literally is the building—to define the space and to draw people in. Although such areas are tightly regulated by complex regulations intended to encourage large, flamboyant signs in particular locations, the no-holds-barred visual effect of the signage in such areas is what attracts people.

Value Added By Design Planning and Regulation

In a district or community that has imposed extensive restraints on the use of signs and created guidelines for their size, materials, and illumination (as well as architectural guidelines), the result can be the creation of a specific and, in both an economic and aesthetic sense, a desirable atmosphere. Some of the most successful districts and commercial corridors in the country have the most restrictive controls on design and signage. There are some very clear examples, including Santa Fe, New Mexico; Hilton Head, South Carolina; Galveston, Texas; Santa Barbara, California; and Leavenworth, Washington, to name a few.

The use of design review tools to create a sense of place is no longer limited to only affluent communities and tourist destinations. Places as diverse as Henderson, Nevada, Mesa, Arizona, and Georgetown, Texas, have taken strides towards raising the bar for community appearance. Such controls are most effective when they are used in tandem with a commitment of public money to improve commercial streetscapes, including improvements to parking, landscaping, traffic circulation, and lighting, as well as storefront and facade programs.

Numerous communities are using sign and design controls to create places where people will want to live, invest, visit, shop, buy real estate, etc. Citizen surveys on design and quality-of-life issues in Lubbock, Texas, and Baldwin County, Alabama, have been used to demonstrate the positive impacts on business of sign control (McMahon 1996-1997). In general, the presence of sign controls and architectural standards are rarely a deterrent to new investment. Entrance into a profitable trade area is a far more important issue in business decision making than is having to adhere to local design, landscaping, or signage requirements. Sign controls also may have the effect of attracting higher-quality investment by ensuring that efforts by one business are not thwarted by another.

The positive (or at a minimum, neutral) impact of historic district designation and design standards on property values has been well documented in numerous studies (New Jersey Historic Trust 1998; GFOA 1991; Kotler et al. 1993; Rypkema 1997). The relevance of such studies to the economic impacts on sign control is that such districts are subject to design standards and review. Such studies compare the growth in property values in historic districts with growth in adjacent or comparable areas within the same community that do not have historic designation. While there are limitations on what a property owner is permitted to do to his or her sign, building, or site, the net economic effect is by and large



In the early 1990s, the city of Anaheim recognized it needed to make improvements to the Anaheim Resort District if it was to increase tourism business and attract private development. At the same time, the Walt Disney Company was looking to improve and expand its facilities in Anaheim to better compete with other tourist destinations. The city needed money for public improvements and Disney needed the city's support for its expansion plans. A major problem was that Anaheim's aging commercial areas in the district didn't contribute to the look of a world-class destination. In November 2000, the city and the Walt Disney Company completed the public works portion of a \$2 billion public-private project to revitalize a 2.2-square-mile district that includes

positive for the individual owner and for the community tax base. It can be argued that the intent of the historic district controls and sign controls are quite similar; namely, to create a sense of place and character that promotes a district identity for an area or even a specific building. It is that identity that appears to contribute to economic success.

The revitalization of Lower Downtown Denver (known as LoDo) provides a general example of the positive effect of design review (and sign control) on property values and business success. The Denver City Council designated the LoDo warehouse and manufacturing district as a historic district in 1988. At the same time, the city of Denver committed financial resources to improve the streetscape and provided financial assistance to start-up businesses in the district.

Prior to historic designation, the building vacancy rate in the district was 40 percent, and 30 percent of the properties were in foreclosure. More than 75 percent of the area's property owners initially opposed the historic district. They feared a loss of property rights and a further erosion of property values.



*Disneyland, the Anaheim Convention Center, and the surrounding environment. Katella (above, left) and Harbor (above, right) boulevards, two major public arterial streets adjacent to the Disney property, were rebuilt. Utility wires were put underground, sewers were upgraded, 15,000 trees were planted, and more than 140 pole signs were replaced with sidewalk-level monument signs. In 1999, the Disneyland Resort and convention center generated \$17 million, or 12 percent of the city's general fund revenues. Upon completion of the resort expansion and public improvements, the district is expected to provide \$23 million, or 16 percent, of those revenues. (See "Anaheim's Excellent Adventure," by Charles Lockwood, *Planning*, December 2000.)*

But just the opposite happened. Between 1987 and 1990, 114 new businesses located in LoDo. During that period, it was the only part of downtown Denver where new office space was being constructed. By the summer of 1995, vacancy rates in LoDo had dropped to less than 10 percent. The last foreclosed property was sold to a private developer in 1993. The area is now home to 55 restaurants and clubs, 30 art galleries, and 650 new residential units. Property values have doubled and private investment, not including Coors Field—the new home of the Colorado Rockies baseball team—has exceeded \$75 million (Wyatt 1991; McMahon 1996). Although much of the success of the district is now attributed to Coors Field, the district was well on its way to recovery before the site for the stadium was announced in 1992 and opened in 1995. Sales tax revenues increased from \$10 million to \$12 million between 1991 and 1994. As a proportion of all sales tax revenues in downtown Denver, the district contributed 13.8 percent in 1991, 21.5 percent in 1994 (the year before the stadium opened), and 39.1 percent in 1997 (Downtown Denver Partnership 1999).

According to community design expert Edward McMahon, design review and historic designation help improve property values in primarily two ways: scarcity and certainty (McMahon 1999). What was scarce in Lower Downtown Denver in the late 1980s was turn-of-the-century warehouse and manufacturing buildings available for conversion to loft apartments, condominiums, and art galleries. Certainty was created through plans and design standards giving developers assurance that, if they invested millions in a property in adherence with the standards, the owners of neighboring properties would be held to the same standards and would ultimately produce a high-quality development that enhanced the district. Certainty that the historic fabric and design of the district would remain intact was a key catalyst in the district's rapid turnaround. The city of Denver also contributed to the identity, viability, and liveliness of the district by making a number of streetscape enhancements.

Planning and zoning and development controls, including sign controls, can be used in newly developing communities or in distressed districts to communicate to consumers, visitors, and business people that the community cares about how it looks and that its standards are high. The challenge arises in achieving consensus on sign issues so that the needs of any one part are not wholly sacrificed to those of another.

THE ECONOMIC CONTEXT OF SIGNS

The aesthetic context of signs was addressed in Chapter 3. Signs also have an economic context that can vary between commercial areas within a single community and among communities as a whole. Recognizing and supporting the economic context of signs means several things. First, it means providing and permitting signs that are appropriate to the function of each area within a community. In other words, a one-size-fits-all approach is usually not feasible. Second, it means understanding and acknowledging the role signs play in supporting local economies. Signs and sign regulations should be reflective of the varying needs of businesses in each type of community and each type of commercial district, including developing suburbs, historic towns, or large cities, as well as in various commercial settings, including strip commercial corridors, main streets, neighborhood commercial districts, contemporary shopping centers, mixed-use and transit-oriented districts, specialty retail areas, tourist locales, entertainment districts, and lands adjacent to highways.

The information presented in the subsequent sections of this chapter on the economics of signage is relevant primarily to automobile-oriented areas, such as commercial corridors and districts and highway nodes. The target audience for signage in such areas is passing motorists who are traveling typically at speeds of 25 miles per hour or faster. Key factors that allow businesses to succeed are the visibility and readability of their signs, which must be conspicuous enough to allow drivers time to read the message and exit the roadway safely. Where franchises and chains are concerned, outright visibility and the viewer's ability to recognize the sign's corporate logos and colors are also important.

The economics of signage in other types of commercial areas, such as central business districts in midsize and large cities, main streets in older or historic towns, or neighborhood commercial districts, are somewhat different than in automobile-oriented areas. Businesses in such areas also need adequate signage to identify themselves and attract customers. But the target audience of these businesses is

motorists driving at slow speeds or pedestrians. In these settings, the primary signage issues from the standpoint of planners are compatibility with the architecture and character of the building and the district, size and scale, and orientation. In tourist areas and neighborhood commercial districts, the aesthetic context essentially drives the economic context—uniform appearance, adherence to historic sign types and styles, and generally lower-profile signage are part of what can make the district succeed economically.

Specific design considerations for signage in pedestrian-oriented areas, such as downtowns and tourist or historic areas, are addressed in Chapter 3. Briefly, in many major downtowns, retail businesses at the street level of newer office towers, as well as major tenants on upper floors, are most likely subject to covenants or master signage programs that dictate the type, size, appearance, and location of signage. As with strip centers and major shopping centers, the standards imposed by the property owners of major downtown buildings are often more stringent than what is permitted by the local sign code. Circumstances are different in older downtowns, where building owners have little or no influence on the signage used by their tenants.

RESEARCH ON THE ECONOMIC VALUE OF SIGNAGE

There is a lot of industry-generated data and information about the effect of sign codes on marketability and sales that planners should consider when making decisions about signs. Ideally, a planner or sign code administrator who is more fully aware of the potential economic effect of sign regulations will take these effects into account when drafting, amending, or implementing regulations.

Information about the economic value of signage has been targeted primarily at small businesses that purchase and use signs, and, to a lesser extent, at public officials involved in signage issues. There are three principal sources of information. First, sign manufacturers and the trade associations that represent them have conducted and sponsored many sign value studies. The purpose of many of the studies was to compare the relative cost-effectiveness of signs, radio, newspapers, and television as advertising media. A second body of information on signage value has been developed by real estate appraisers. At least two real estate appraisers in the U.S. are currently applying standard real estate appraisal techniques to ascertain the portion of a site's value that can be attributed to its on-premise signage. These studies have been used to make the case to property owners, regulators, and courts of law that the value of a sign is far greater than the replacement value of the sign structure. And third, over the years, many sign companies have conducted surveys of customers of small businesses to determine the extent to which signage is a factor in their decision to patronize an establishment. These surveys have also been used to gauge public opinion about the nature and quantity of signage in their community. Sign manufacturers have also routinely asked businesses who purchase or lease signs to write testimonials about the effects of new or replacement signage on sales. There is an absence of independent research on the economic effects of signage in the literature on retailing and marketing.

Studies of Sign Value

A major, multipart study, "Research on Signage Performance," conducted between 1995 and 1997 by the University of San Diego⁴ looked at the effects of on-premise signage on the financial performance of retail sites.

The overarching conclusion of the study was that "on-premise signage has a statistically significant and financially substantive impact on the revenues of a site" (CESA 1997, 20).

Part 1 of the study was a multiple regression analysis of a group of variables, including signage, on sales at 162 Southern California locations of a major fast-food chain. Signage variables included the total number of signs on a site, the cumulative square footage of all signs, the height of signs, and the presence of specific types of signs, including monument signs, directional signs, pole signs, building (e.g., wall or fascia) signs, and drive-thru menu boards. Other variables included the value of owner-occupied housing within 1.5 miles, median rents within 0.5 miles, building size, hours of operation, and other local geographic characteristics. The summary report of the results indicated that there was not a lot of variation in the data from one site to another, which required the researchers to, in their words, "tease out" the effects of each signage variable using data that was fairly uniform from one site to another.

University of San Diego researchers note that multiple regression analysis relies on variation in data to illustrate relationships. Given the standardized types of signage used by a national franchiser, there is not a lot of variation in the independent sign variables. The lack of variation in the data on the amount, type, and placement of signage that existed from one site to another was considered by the researchers to be a substantial methodological shortcoming. Wide variations in data are important in a regression analysis to be able to determine the individualized effects of a group of variables. The data did not contain adequate variation because sound business decision making would preclude a national fast-food chain from building a store on a site that, for whatever reason, would not be allowed some minimum level of signage.

Each variable was tested at every location to predict the effect on (1) annual sales dollar revenues; (2) the annual number of transactions at a site; and (3) the average dollar amount spent per transaction. The results indicate that the number of signs at a particular site has a significant positive impact on both the annual sales revenue and the number of annual customer transactions. For example:

- The model predicted that, on average, one additional sign installed on a site would result in an increase in annual sales in dollars of 4.75 percent at that site. This translates to a \$23,750 increase for one additional

A study by the University of San Diego School of Business found that the addition or replacement of wall signs at 21 Pier 1 Imports stores resulted in an increase in weekly sales per store of 1 to 5 percent from the year prior to the signage changes.



sign at a typical store with annual sales revenue of \$500,000. The research gives no indication of the effect on sales of the addition of more than one sign.

- One additional sign installed at a site is projected to increase the annual number of transactions by 3.93 percent. This translates into more than 3,900 additional transactions for a store with an annual average of 100,000 transactions.
- The impact on the average dollar amount spent per transaction as the result of additional signs ranged from \$0.06 per transaction where one additional 36-square-foot wall sign was added, up to \$0.78 per transaction where one additional 144-square-foot pole sign was added.

It should be noted that an increase in sales at a given site represents an increase or retention of market share at that particular location. It does not indicate an increase in total spending or consumption across the board in the area. In other words, dollars spent at a location that has added signage are dollars that are not being spent at another location in the same trade area. If the study's findings hold true for all businesses, it is not clear if that advantage would be maintained if, for instance, a neighboring fast-food business also added a sign. Further, an increase in sales does not correspond dollar-for-dollar with an increase in profitability.⁵ But the very narrow profit margins of retailers (see Table 4-1 below) make it imperative for planners, sign code administrators, and the businesses themselves to ensure that the signage is placed in a way that exposes the business to the greatest number of potential customers and hence the greatest potential profit.

Common sense suggests that a business would spend money only on additional signage if it was expected to increase revenue. In other words, in a perfect world, the only signs a business would add would be those that would positively affect revenue. There are many businesses, however, that are not fully aware of how much signage is appropriate or what the optimal placement is for their signage. For that reason, businesses need to work with sign companies to help maximize the use of their allowable signage, and planners need to work with signage experts to ensure that sign ordinances don't unnecessarily limit the effectiveness of signs and, hence, profitability of businesses.

The second part of the University of San Diego study combined a multiple regression analysis and a time-series analysis of seven years of weekly sales data for Pier 1 Imports home furnishing stores to measure the effects of modifications, additions, or removal of on-premise signage on sales performance over time. For the multiple regression analysis, data from 100 stores were used; for the time-series analysis, data from 50 stores were used. Researchers attempted to find sites that were not subject to other major events that could affect sales performance, such as building remodeling, shopping center remodeling, severe weather, or road construction.

The results were grouped according to the effects on sales performance of (1) a change to building signage; (2) a change in pole or plaza identity signs; or (3) the addition of new directional signage. The results bore out a strong correlation between new signage and increased sales.

- Changes to building signage (e.g., the addition or replacement of wall signs) resulted in an increase in weekly sales per store of 1 to 5 percent from the prior year. The building signage change variables included the replacement of aging signage, the addition of new signage to previously unsigned building faces, and the replacement of existing signage with larger signage. The increases to weekly sales at the 21 sites that experi-

TABLE 4-1. RETAIL ECONOMICS

Retailers	Number of Firms	Net Sales (total sales)	Gross Profit	Operating Expenses	Operating Profit
			(before Overhead)	(Overhead)	
			(expressed as % of sales)		
Family Clothing	138	\$4,807,056,000	38.1	34.8	3.4
Men's and Boy's Clothing	147	3,602,835,000	43.1	40.0	3.1
Shoes	134	2,509,527,000	39.6	36.0	3.6
Women's Ready to Wear	147	4,686,272,000	43.0	40.6	2.4
Autos: New and Used	3,064	107,430,625,000	12.1	11.1	1.1
Gasoline Service Stations	743	26,114,455,000	18.8	17.1	1.8
Books	90	1,231,470,000	38.9	35.7	3.2
Stationery and Office Supplies	123	1,109,302,000	34.9	32.5	2.4
Hardware	377	3,954,153,000	33.6	31.2	2.4
Department Stores	65	6,141,348,000	35.2	30.3	4.9
Drug Stores	245	6,404,262,000	28.8	26.3	2.5
Convenience Food Stores	291	15,690,996,000	21.6	20.2	1.4
Groceries and Meats	762	43,600,840,000	23.1	22.0	1.1
Restaurants	1,651	23,393,540,000	57.1	52.5	4.6
Furniture	596	8,723,294,000	39.2	36.4	2.8
Jewelry	299	3,725,932,000	44.1	39.2	4.9
Simple Average					2.9

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enced changes to building signage ranged from 0.3 percent to 23.7 percent. The store that experienced a less than 1 percent increase was noted to have atypically high sales for the chain, and, therefore, a large increase was not expected as a result of the signage change. The store that experienced the 23.7 percent increase was noted to have atypically low sales, resulting in a large percentage increase, although the increase in terms of dollars was comparable to other sites.

- The addition of pole signs and plaza identity signs (e.g., a multitenant sign with Pier 1 Imports identified as a tenant) resulted in a 4 percent to 12 percent increase in weekly sales at the nine sites on which those two types of signs were added. Researchers attribute the increase to the advertising impact on passing traffic.
- The addition of small directional signs indicating ingress and egress routes resulted in weekly sales increases ranging from 4 percent to 12 percent. Researchers attribute the increase in these cases to the signs' ability to guide a site-bound shopper more than any specific advertising effect (CESA 1997, 35).

The Pier 1 Imports signage study concludes that "on-premise signage is a significant constituent of the factors causing the success of a retail endeavor" (CESA 1997, 36). It noted that the "advertising effect" of addi-

tional building, pole, or multitenant sign can be credited with a 5 to 10 percent increase in a site's revenues. The ability of directional signs to guide customers to a site can be credited with approximately a 10 percent addition to site revenues. The noted increases in revenues as a result of signage can have a dramatic positive effect on profitability at a specific site given that normal profits in the retail industry are approximately 1 to 3.5 percent (Robert Morris Associates 1998). Again, it is not clear from the San Diego study what effect there would be if all similar, nearby businesses followed suit and also added signage. Presumably given such narrow profit margins in retailing, a reduction in signage could also negatively affect profitability at a given site within a trade area.

In sum, research on the impact of additions or changes to signage at fast-food and home furnishing stores indicate that increases in the total amount of signage or the number of signs on a site can have a positive impact on the annual revenues at a site. The studies did not measure the impact on annual revenues of relatively small additions to the total amount of signage on a site (i.e., modest increases in letter height or overall size of existing signs). Conducting such research can be problematic in that most of the sites that are studied have at least the minimal amount of signage necessary to succeed.

Studies on Signs vs. Other Media

A common technique used to illustrate the value of a sign to a business is to compare a sign's effectiveness as an advertising medium to other advertising media, such as television, radio, and print.

Advertising effectiveness is typically measured in terms of the reach, frequency, and exposure of an ad message. "Reach" means the percentage of a target market that is exposed to an ad in a four-week period. "Frequency" is the average number of times that people in the target market are reached in that time span (Ziccardi and Moin 1997). "Exposure" means the number of people who could have seen an ad whether or not they are part of the target market. Other measures include readership of a message, which is the number of people who watch, read, or listen to a message. Cost per 1,000 exposures of a message is a standard measure of the cost of various media.

Sign economists measure the cost per 1,000 exposures of an on-premise sign by dividing the monthly cost of the sign (e.g., a monthly lease or mortgage payment) by the number of vehicles that pass each sign face each month.

A study by 3M Corporation for the National Electric Sign Association (now the International Sign Association) presented comparisons of the usefulness to a small independent business of on-premise signage versus print and broadcast advertising (Anderson 1983). The study asserts that newspaper advertising helps small businesses reach between 24 and 65 percent of their target market. This reach depends on the size of the metropolitan area and the circulation and distribution of the newspaper. The example offered in the study shows that an independent business in Orange County, California, that advertises in the *Los Angeles Times* will gain advertising exposure to only 24 percent of its target market; if it advertises in a local newspaper it can reach 65 percent of its target market.

A more effective means, according to the study, is to use on-premise signage to attract potential customers who drive by the store everyday or from time to time. The study refers to passersby as the "primary mobile market." The primary mobile market is measured by using average daily traffic counts for the arterial road on which a business is located and then relating that figure to a number of households represented in that traffic stream. (The

average vehicle occupancy is 1.5 persons. This figure is also used by the outdoor advertising industry to determine the number of individuals who are exposed to a message on a billboard. The number of exposures is the key determinant of billboard rental rates.) The study also makes the assumption that every passerby is a potential customer, hence it considers the reach and exposure of an on-premise sign to the primary mobile market to be 100 percent (compared with the 24 to 65 percent reach of the newspapers).

The study concludes that independent businesses get the most advertising per dollar from an on-premise sign, which provides exposure to all potential customers in their trade area. Newspaper ads that reach only a portion of a business's target market will not draw customers from other parts of the metropolitan area who would most likely do business in their own trade area.

In sum, there is evidence to suggest that on-premise signage provides retail and service businesses with a low-cost form of advertising. Most of this information comes from studies sponsored by the sign industry because, it contends, small businesses do not have the resources to study the effectiveness of their signage or may be unaware of its value beyond an identification device. That said, the importance of signage to a business's success is a message that, perhaps, has not been effectively received or shared by business owners.

A survey conducted by Arthur Andersen (1994) of small stores (an average of 11 employees) in Illinois on the tools they use to communicate their image to customers, store signage ranked seventh behind (in descending order) store ambiance, visual merchandising, advertising, depth and breadth of merchandise, employee communications, location, and store location, in that order. Employee attire, price, direct mail, and public relations were considered less important mechanisms for conveying a business image than signage (Arthur Andersen 1994).

The Arthur Andersen survey also indicated that retailers spend just 3 percent of their advertising budget on signage, but it was unclear if this accounted for the cost of a new sign capitalized over a period of years, a sign lease, or all signage, including window and interior signage. The only parts of the survey in which signage issues were raised were on questions relating to advertising expenditures and store image. According to the study's project manager, Gary Rebejian, vice president of marketing and communications for the Illinois Retail Merchant's Association (the study's sponsor), the study and his experience working with small retailers indicates that "signs are an important player in building business image, but businesses are made by the things they sell and the services they provide" (Rebejian 1998).

Appraisal of On-Premise Signs

In a typical commercial corridor, commercially zoned parcels that are visible and easily accessible from the roadway command higher rents and land values than do parcels that lack visibility and access. This added value has been termed the visibility component of the site by signage researchers, whose contention is that the ability of potential customers to see an on-premise sign increases the value of the site; lack of visibility decreases the value of the site overall.

In the last several decades, on-premise sign researchers have applied standard real estate appraisal techniques to the process of evaluating and quantifying the portion of the visibility component that is attributable to on-premise signage. Essentially, the technique applies a methodology that is used in the outdoor advertising industry to set lease rates for billboards to determine the value to a business of its on-premise signage.

Data from such appraisals has been used primarily in two ways. First, it has been used to measure the economic impact on businesses of acts of local government, including sign code provisions that limit a business's visibility by restricting the size and number of on-premise signs, and in amortization and eminent domain cases in which signage was required to be modified or removed. Second, it has been used by retail tenants in shopping centers and on other sites whose lessors restrict the amount or type of signage allowed per each business.

In Florida in 1996, a signage appraiser conducted an economic analysis of the impact of a newly installed, on-premise, freestanding sign that identifies a men's clothing store located in Sarasota Quay, a mixed-use retail, office, and restaurant complex (Bass 1997). Prior to the installation of the new sign, the retailer had no external visibility from either of the major arterial streets adjacent to the mall.

The analysis compared store sales from the first six months (January to June) of 1995 with the first six months (January to June) of 1996. The new sign was installed in December 1995. The appraiser also looked at other nonsignage factors that could have had an impact on sales during study period, including roadway improvements, presence of competitors, the addition of other major draws to the center; he found that there had been no significant changes due to these factors.

According to the appraiser's evaluation, sales at the store showed a net increase of 4 percent from 1995 to 1996. Also, the store owner was able to reduce his expenditure on print advertising from \$24,000 in 1995 to \$13,000 in 1996 as a result of the increased advertising effect of the on-premise sign. Two other small retailers in the same complex that did not add signage went out of business, and another relocated during the period of time the signage effect was studied.

Ultimately, these types of appraisals could be used to appraise the value of signage in amortization cases. The extent to which formal appraisals or evaluation studies of on-premise signs become accepted will continue to be decided in the courts. It is important to note, however, that such analyses do not account for the myriad of other non-site-specific factors (e.g., regional or national retailing trends, the U.S. economy overall) that can contribute to a business's success or failure. Hence, information garnered from such studies should be considered but should not be viewed in isolation. Finally, most of these appraisals and valuations conclude that a sign's worth is much higher than the value of the sign structure alone. This type of finding also commonly comes from billboard owners who are seeking cash compensation to remove nonconforming billboards. To the extent that such appraisals can be regarded as legitimate measures of property value, local tax assessors should take note that some commercial properties may be underassessed for tax purposes.

Surveys and Studies by Sign Manufacturers

Other than the advertising analyses and appraisal work described above, the majority of the research on the value of signage has been by sign manufacturers themselves or by businesses that use signs. Over the years, some sign companies have taken the initiative to survey their clients on the usefulness of their signs in attracting customers. Sign companies may also ask their customers to write testimonials describing the before-and-after effects of new signage on their bottom line. While the methodology is not statistically rigorous, it does point to certain important trends, about which more research is needed.

In 1988, a survey of citizen preferences about automobile dealership signage was conducted by market researchers at the University of San

Diego (Brown 1988). The City of San Diego had just enacted new restrictions on the size and placement of automobile dealership signage. The purpose of the study was to ascertain citizens' opinions about the signage. Survey questions about signage were embedded in a broader market survey of 350 customers visiting the service departments of eight San Diego automobile dealerships. Respondents were queried on how they became aware of the service department at the dealership. The highest percentage of respondents (35 percent) learned about the service department when they purchased a car, 29 percent had heard about it through word of mouth, and 18 percent of customers became aware of the service department when they saw the sign. More than 68 percent of respondents believed that signage was important in helping them locate the dealership. Most of respondents (76 percent) indicated that the signs were fine at the present size (which reflected the new stricter size requirements), while 22 percent thought the signs should be larger. Researchers concluded that there was no evidence to suggest that a significant group of people thought that automobile dealership signage should be removed or reduced in size.

As an off-shoot to its economic study with the University of San Diego, the California Electric Sign Association solicited testimonials from several national and regional franchise clients describing the before-and-after effects of a change in signage (CESA 1997). In a letter to the CESA Sign Guidelines Committee in March 1996, a Jack-in-the-Box restaurant executive indicated that the addition of a new pylon sign at one store resulted in an 8.8 percent increase in weekly sales at that store in 1992. A control group of 15 Jack-in-the-Box stores at which there were no signage changes experienced an average 4.9 percent increase in sales during the same time period.

A letter from the marketing department of the Motel 6 chain described an increase in rooms rented as a result of new signage. In December 1994, a Motel 6 outlet increased the height of its pole sign from 45 feet to 75 feet. The new sign height was necessary to increase visibility to motorists and to avoid an obstruction from trees. The number of rooms sold increased 19 percent from 1994 to 1995. The letter notes that no other changes were made to the interchange or the adjacent roadway.

In the early 1990s, the owner of the California-based Do-it Center chain of home improvement stores analyzed the impact of exterior store remodeling on sales at four store locations in four southern California cities. Two of the four cities, Simi Valley and Thousand Oaks, had enacted sign regulations that required the Do-it Centers to reduce their total amount of signage when they remodeled. The stores in the other two cities, Crescenta Valley and Valencia, were allowed to keep the same amount of signage as they had had prior to remodeling. The sales impact of the remodeling showed a 25 percent increase at the Simi Valley store and a 15 percent increase at the Thousand Oaks store despite the strict sign regulations. However, sales jumped by 45 percent in Crescenta Valley and 35 percent in Valencia where the stores were allowed to keep the same amount of signage (Ruf 1996). Although the purpose of the analysis in the case was to provide evidence of the deleterious effect of restrictive sign code on store sales, the fact that the two stores that were required to reduce the amount of signage also experienced increased sales after remodeling (albeit to a lesser degree) suggest that design and building improvements generally have a positive effect but that limitations on signage can dampen that effect.

Customer surveys and retailer's testimonials have been one of the primary sources of information for sign makers on the usefulness of signs to

customers and to businesses that purchase or lease signs. For the very smallest of retailers, such as hair salons, specialty stores, and restaurants, signage and word of mouth may be the sole means of reaching new customers. In many communities, small retail businesses are a chief source of employment for entrepreneurs and new business start-ups. They are a key point of entry for women, minorities, and new immigrants into the workforce. Sign regulations should be responsive to the unique needs of small businesses by permitting signs to be visible and readable (which does not necessarily mean more numerous or larger) by the targeted audience, thereby helping such businesses succeed. Many small, ethnic businesses could benefit from professional design advice that would help them capitalize on their cultural attributes. Generic signs, whether large or small, that are generic, do not project an image of a unique product or service. Today, many customers are looking for unique products as well as the personal attention and skill that is more likely to be found in individually or family-owned businesses.

Other Research on Signage as Advertising

The literature on retailing and advertising written by academics or advertising experts contains very few references to the advertising utility of on-premise signage for retail and service businesses (Ziccardi 1997; Peterson 1992). Most discussions about signage as an advertising mechanism in that body of literature mention only billboards and transit advertising, and thus ignore on-premise signage altogether. The few texts that address on-premise signage mention it only as a component of a retail store's overall image, which also includes interior store signage, merchandise mix and display, and window displays. Most major retailers and service providers, such as Wal-Mart and McDonald's, have indeed conducted studies on the value of signage. But because interior and exterior signage systems are an integral part of a business's marketing and image-building strategy, corporations are reluctant to provide their competitors or the public with data on the success or failure of a particular strategy. Unlike major retailers, small businesses simply do not have the resources to conduct major research on the value of signage and thus tend to rely on the type of information described above.

THE SIGNAGE NEEDS OF RETAIL AND SERVICE BUSINESSES

The signage needs of various businesses are best viewed on a continuum. On one end, a service-oriented business (such as a dentist's office) that has an established clientele and has been in the same location for many years can function with only an identification sign on the door to the office. Longstanding customers can find their way to the office without the visual cues provided by a sign. New customers become aware of the business through personal or professional referrals, the yellow pages, or other forms of communication. Offices in high-rise towers, for example, rely solely on methods other than signs for attracting customers.

On the other end of the continuum, there are businesses that rely almost entirely on a sign visibility to stay in business. The clearest examples of this are highway-oriented businesses, such as gas stations, fast-food restaurants, and lodging, whose customers are sometimes completely dependent on aerial and wall signs, logo signs, and off-premise advertising to indicate where to get needed services. According to Richard Wolf, senior counsel for Cendant Corporation (which owns Avis Rent-a-Car, Days Inn, Knights Inn, Howard Johnson, and many other service brands whose franchisees use on-premise signage), fewer than one-half of patrons at national roadside lodging facilities have made reservations prior to visiting the motel or hotel

(Wolf 1997). In other words, the majority of customers need and expect to see signs and advertising for motels that will indicate to them where such services are available. While a highway-oriented business, such as a motel may be able to attract some customers without a sign, in all likelihood the business would eventually fail without some visibility from the roadway. In the context of land-use planning and sign regulation, effort should be made to ensure that land adjacent to roadways that is zoned for commercial use should be allowed to function to its greatest potential. In other words, ancillary zoning and land development regulations, including the sign code, parking, and circulation standards, should be designed to support the commercial uses in order to help individual businesses and commercial districts as a whole succeed.

Visibility from the roadway for highway-oriented business does not only come in the form of freestanding on-premise signs. Section 131 of the Highway Beautification Act of 1965 provided for states to use tourist-oriented directional signage (TODS) and specific-service signs (commonly referred to as “logo” signs) to guide motorists to travel-related services. Thirty-nine states now use logo signs, which are the blue highway signs that contain corporate logos and other business identification for gas, food, lodging, and camping facilities that are located near interstate or state highway interchanges. Fifteen states permit TODS to identify tourist-oriented businesses and can include corporate logos. The standards for the appearance of these signs and general policies for their use and placement are set forth in the *Manual on Uniform Traffic Control Devices* (U.S. Department of Transportation 2000). Each states’ Department of Transportation determines exactly under what circumstances they are used.

The Highway Beautification Act's authors recognized the need to replace the information sources for drivers that would become significantly reduced through implementation of outdoor advertising controls stipulated in the act. Accordingly, the authorization for the logo and TODS programs was incorporated into the act. To help meet aesthetic objectives, several states, including New Hampshire and Colorado, prohibit advertisers from having a billboard within three to five miles of a logo sign. Many states also prohibit advertisers from participating in the logo sign program if they have illegal billboards (Vespe 1998). With regard to on-premise signage, in Washington State, businesses that participate in the TODS program must enter into an agreement with the Washington Department of Transportation to limit their on-premise sign to a point where the bottom of the sign is no higher than 15 feet from the roof of the establishment. Also, logo signs and TODS in Washington are not installed to direct motorists to activities that are visible for at least 300 feet in advance of at-grade intersections (Ensley 1998).

THE SIGNAGE NEEDS OF NATIONAL CHAINS VERSUS SMALL INDEPENDENT BUSINESSES

Small independent businesses—particularly those that offer products and services that are also offered by regional or national chains and franchises (e.g., pharmacies, auto repair shops, toy stores, and restaurants)—have become increasingly and understandably concerned over the last several decades about their ability to remain competitive in a consumer era dominated by large corporations. Planners, too, are concerned, as the consolidation of retail outlets by large chains in many sectors has resulted in the closing of many independently owned and operated stores. These trends have threatened the viability of main streets, central business districts, and older strip shopping centers and commercial districts as retailers con-



Thirty-nine states use tourist-oriented directional signage (TODS) to provide roadside businesses with exposure to passersby. TODS are sometimes used in lieu of high rise on-premise signs (below), although some states permit high-rise signs and use TODs as well.



tinue to build more, modern facilities on the urban fringe. Many consumers have an emotional preference for shopping at independent businesses, which are often owned and operated by individuals who support local charities and political activities, and who are active in the community. However, as discerning customers, they are drawn to national chain stores by price, convenience, and an assurance of quality and consistency. As the new millennium begins, it is estimated that as few as 30 or 40 retailers will be setting the competitive agenda for the entire retail industry. This is reflected in the fact that, in 1992, multiunit chains accounted for approximately 50 percent of all retail sales (Peterson 1992, 244-5).

Given these continuing changes, small independent retailers have had to become more innovative and find ways to position themselves positively in the minds of customers. Many have responded by focusing on personalized service and maintaining inventory that is tailored specifically to geographic and ethnic preferences. In the last several decades, local chambers of commerce and national clearinghouses like the National Main Street Center have also focused on supporting the needs of independent businesses. Planners too have to rethink regulations and policies that either directly or indirectly put small businesses at a disadvantage and consider what countervailing actions may be appropriate to help strengthen the position of such businesses in the market place.

The effect of a sign code that restricts the size, materials, and location of signs is one of the concerns for small retailers trying to compete in the chain-dominated market. Local affiliates of national franchises are provided with signage and site-based graphics systems that have been developed by the franchiser. Logos and colors used by national chains are developed by top designers and are subject to thousands of dollars of market testing to ensure a positive response from potential customers. Franchises and national chains use television, radio, direct mail, and other printed media to establish an image in the minds of their customers of their business and products. A major objective of national advertisers is to have customers immediately associate certain products or services with their business. This is called "top-of-the-mind awareness." National chains spend millions of dollars on advertising and media campaigns trying to place their products at the top of the mind of their customers.

Take, for example, a driver passing a Midas muffler shop. He or she can glance at the yellow and black sign and instantly know that muffler and brake work is done at that location. For some drivers, a quick look at the colors of the sign is enough to trigger recognition of the brand. The driver may choose to turn in immediately for service or to make a mental note to return to that or another Midas location at a later date. As with many means of advertising, the driver may or may not be cognizant that he or she has absorbed the information on the sign. This process is known as location recall.

The use of a sign and the experience of passersby of an independent brake and muffler repair shop is much different than that described above. There is no national advertising campaign to trigger the customer's recognition of the products or services offered. Indeed, as chains become more and more prevalent, it becomes less likely that an independent business will be at the top of the mind of most customers in their trade area. Instead, the shop will have to rely more heavily on a variety of advertising, including on-premise signage and word of mouth. This will require them to be more creative in the use of their signage.

The success of the on-premise sign in attracting new business is directly tied to its visibility, readability, and the nature of the information being displayed. Where the yellow and black trademark colors and typeface of Midas are enough of a key for many customers to recognize the business,



For franchises and chains, such as Midas, an on-premise sign is an extension of a national advertising campaign. Most customers would only need to glance at the sign to know what products and services are being offered. Independent operators, like Tuffy's, have to rely much more on their on-premise sign, as well as local advertising and word of mouth to build a customer base. Note also, given that several national muffler and brake chains use black on gold (or yellow) for their logos and trademarks, many independent shops smartly capitalize on that color combination as well.



Tuffy's auto shop may also need to display hours of operation, special sales, and other products. Tuffy would also benefit from using a qualified sign designer that can counsel him on easy-to-read colors, materials, and typefaces to maximize the usefulness of the sign.

The above discussion pertains mostly to independent businesses that offer products and services that are increasingly being provided by national or regional franchises and chains. Circumstances are quite different for small specialty retailers who typically offer products or services that are unique or more personalized than what is offered by franchises or chains. Almost every midsize or tourist-oriented city has one or several shopping districts that contain such specialty stores. Many of these districts also increasingly are home to high-end national chains as well. The signage of businesses in such districts, however, tends to be understated in design and lighting, pedestrian-oriented, and most likely subject to either local design review or self-policing guidelines provided formally or informally by a local merchant's associations. Businesses in such areas concentrate on the products they offer, developing a regular clientele, and crafting a distinct image through storefront, window, and in-store displays more so than attempting to capture customers from passing automobile traffic.

So what is the implication for sign codes, given the varying signage needs of widely recognized chains and independent businesses? From a legal standpoint, a sign code cannot differentiate between various types of businesses. A more workable approach might be to structure a system of sign area bonuses based on discretionary design review that awards unique customized signs and thereby makes it more difficult for "stock" corporate signs to qualify.

From the point of view of national chains and franchises, the chief concern about sign codes is the extent to which they interfere with the customers' ability to recognize corporate identifiers, such as logos and colors. They are also in competition with each other and local independent businesses. It is the opinion of franchisees and sign makers that "sign restrictions which interfere with or restrict the use of these uniform graphics limit the value of the dealership, franchise operation, chain store or similar national/regional business" (Anderson 1983, 6). This is why attempts by planners to persuade national chains or franchisees to adhere to sign code provisions that regulate the size, height, setbacks, and illumination, or, in some communities, to alter corporate prototypes as a means of respecting local architectural and design ideals, are often met with resistance.

There are, however, many instances in which franchises or national chains have willingly adhered to local design guidelines in historic districts or areas with distinctive architecture (Fleming 2002). It is often citizens, wielding political and economic clout, who insist upon preserving or enhancing a district's or neighborhood's character by creating and enforcing such guidelines. Franchises agree to conform principally because their interest in tapping into the market outweighs any resistance they may have to sign or architectural controls, and frankly, they often know it is in their best interest to be a good neighbor.

The Planners' Challenge

Planners and communities have a difficult decision to make when writing or amending a sign code that may have an effect on competition between independent businesses and franchises.

On the one hand, as noted above, sign makers and some researchers assert that a sign code needs to be less restrictive for independent businesses to compete with franchises. But a less restrictive sign code would apply to franchise signage as well. Indeed, the University of San Diego

research cited in this chapter documented the competitive advantage of additional signage to a fast-food franchise and the Pier 1 Imports chain. On the other hand, restricting signage may be a problem if the community wants to encourage or accommodate the siting of franchises within the community. As Anderson (1983) states, some chains would be less likely to site in a community where the sign code was perceived to be less favorable to the success of that operation. Conversely, if a community's principal goal is to find way to help local businesses compete effectively, it might be better served to create a design review process that forces franchises to comply with a communitywide business signage standard or go elsewhere. Indeed, market forces (e.g., the franchisee or corporation determines that, even with the restrictions, the location will be profitable) will then more likely dictate whether a franchise still wants to be an entity in the community (Fleming 2002).

The bottom line is that a sign code's effect on competition between independent businesses and franchises is a consideration that can be addressed through meetings and input from the community's business owners, citizens, and planners. All need to be aware of the effects of signage in the competitive battle between businesses within the community as well as between businesses from the community and those from the neighboring community. While the research here can help inform those decisions in some ways, it does not clearly point to a solution suitable for all communities.

CONCLUSIONS

On-premise signs perform a major role in the success of retailers and local economies in their capacity as identification, advertising, and wayfinding devices. As an advertising medium, signage can make or break a business's ability to be competitive. For very small businesses, signage is often the most important means of communicating with potential customers. Using well-crafted and fairly administered design standards, a community can encourage signage that creates a sense of place and economic identity in central business districts, neighborhood commercial areas, entertainment districts, tourist destinations, and commercial corridors.

In considering the economic context of signs in a community, planners need to consider what types, sizes, and number of signs work best for business, for citizens in each district or area of a community, and for the community as a whole, both aesthetically and economically. Where areas of a community are zoned for commercial use, it should naturally be a goal of the community to do as much as possible to ensure that businesses that choose to locate in the commercial zones are able to succeed. This includes familiarizing policy makers with the signage needs of businesses in various commercial zones. There is research to support the conclusion that improvements in building signage and appearance have a positive effect on sales. But the research also shows that the economic effect of subtle changes in the allowable size of signs—which is the issue where perhaps the greatest difference of opinion arises between sign industry representatives and planners who administer sign codes—is difficult to measure. This must also be taken into account when signage policy decisions are made.

Allowing businesses to maximize the utility of their signage is not a call for a *laissez-faire* approach in which each business is allowed to have as much signage as it deems necessary. Instead, it calls for a common sense approach that recognizes the consumer's need for information, the business's need to identify itself and to advertise its goods and services, and the community's demand for aesthetically pleasing commercial districts that enhance or at least do not detract from the desired character of the community. Where sign codes are concerned, the goal should be to give

businesses the opportunity to have maximum success at their location by permitting signs to be placed where they will be seen by their intended audience while still respecting the aesthetic standards of the people of the community.

NOTES

1. The concept of wayfinding was pioneered by Lynch (1960). See also Arthur and Passini (1992).

2. Mandelker and Ewald (1974) use the term "street graphics" (which is also the title of their book) to describe all forms of communication visible along streets and highways, including on-premise signs, billboards, banners, and traffic and directional signs. They describe the role of signs as identifiers in the following way:

The primary purpose of street graphics is to index the environment—that is, to tell people where they can find what. Selling is a subordinate purpose to be tolerated, but *selling* is auxiliary to indexing. (Emphasis in original.)

Street Graphics is credited with introducing the concept that signs should serve only as identifiers and that sign regulations should strive to reduce clutter. There are many sign codes that are not based on the *Street Graphics* model that either implicitly (through size or quantity limits) or explicitly (through a statement of purpose in the code) seek to limit signage to the amount necessary to identify a business. But the majority of sign codes are silent on the issue of identification vs. advertising. The notion of limiting the size of the sign to the amount necessary to identify a business should not be construed to suggest that such regulations are necessarily dictating the content of the sign by requiring that the establishment use its allotted signage space to identify itself. In fact, a business may use the allotted space for whatever sign copy it sees fit, but presumably it would choose to put the name of the establishment on the permitted area. Sign codes and design guidelines that do dictate the allowable content of a sign by requiring a business to use its allotted sign area to identify itself are unconstitutional.

3. According to a 1973 study for the Boston Redevelopment Authority, the public nature of signs is what necessitates government intervention:

Private signs and lights transmit messages using the public environment as a medium; in this respect, they resemble broadcasting stations. However, whereas people can turn off electronic messages, the flow of information from signs and lights can be neither controlled nor ignored by the individual receiver. Policies for private signs and lights should give priority to the needs of people living in and visiting cities over those of commercial senders of information, while protecting legitimate rights of identification (Carr 1973).

The 1994 U.S. Supreme Court decision in *Ladue v. Gilleo* also reaffirmed that signs have unique characteristics that distinguish them from other forms of speech:

While signs are a form of expression protected by the Free Speech Clause, they pose distinctive problems that are subject to municipalities' police powers. Unlike oral speech, signs take up space, distract motorists, displace alternative uses for land, and pose other problems that legitimately call for regulation.

For a discussion of the ambiguities of defining the public versus the private realm, see Lang (1994, 187-9).

4. The Research on Signage Performance by the University of San Diego School of Business Administration was sponsored by the California Electric Sign Association (CESA), the International Sign Association (ISA), the Sign User Council of California, and the Business Identity Council of America. A summary of the findings appeared in *The Economic Value of On-Premise Signage*, a compendium of research results and articles on sign amortization and copyright and trademark protection. The booklet was published jointly in 1997 by CESA and ISA.

5. The issues of the use of advertising as a mechanism for increasing competitive advantage for a business and the relationship between sales and profitability were confirmed for the author by Professor Neil M. Ford, Chair, Marketing Department, University of Wisconsin School of Business, via e-mail received June 8, 1998.

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