

# Ads appeal to taxi firms

More than 30% of Chicago cabs apply for rooftop permits

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The Second City is starting to look a bit more like the Big Apple with the city-sanctioned rollout Thursday of advertising on taxicabs.

The illuminated rooftop ads and the wraps on side doors represent one more step in the growing presence of advertising in the everyday landscape and new revenue opportunities for advertising companies, taxi fleet owners, city coffers and at the bottom of the food chain, taxi drivers.

At a time when consumers are increasingly tuning out television commercials, advertisers are seeking new sorts of exposure, said Bobby Calder, professor of marketing at Northwestern University's Kellogg School of Management.

Advertising companies "are selling ads in gyms, on parking lot floors, the floors of supermarkets--anything becomes the medium," he said. "So why not taxicabs? Any time you can get people exposed to your product, that has got to be a net positive."

Among the advertisers making taxi buys in Chicago are Allstate, Hilton, Washington Mutual, Blue Man Group, the Chicago Food Depository, Miller beer, Snickers, Comcast and Verizon, according to Chicago-based Cascio Communications, one of two agencies selling the space.

As of Thursday, 2,175 of the 6,900 cabs operating in the city had applied for rooftop permits, and 50 of those sought side panel permits, too, according to the Department of Consumer Services. The introduction of taxi ads will be gradual. By year-end, the department anticipates 4,000 cabs will have rooftop permits, said spokesman Bill McCaffrey.

The advertising revenues should help cab owners pay for technological improvements required by the city, including the addition of satellite navigation systems in all vehicles by next year, he said. As well, large-fleet owners are being asked to add hybrid vehicles and more wheelchair-accessible vehicles to their operations.

"Visual clutter was a concern with advertising--it was one of the reasons it was not done in the past," McCaffrey said. "But we're trying to improve the industry and we're trying to do it without reaching into the pockets of consumers."

The plan has garnered cautious support from the Civic Federation, an organization that researches tax-related issues. "If it allows drivers or owners to invest more in their cabs ... it's a net positive," said Laurence Msall, president of the organization.

"There has been very little negative reaction to selling ads for CTA bus stops or trains, and it's an extension of that," he said, adding the program needs to be properly managed and to have standards of "decorum and reasonableness."

In some markets, rooftop ads have tended toward the randy. In Chicago, rules "prevent lewd, obscene or sexually explicit advertising," McCaffrey said.

The city program requires that the ad revenue be split between the cab owner, who would get 65 percent, and the driver who leases the cab, who would get 35 percent. But the actual money trail is a bit more complicated.

If an advertiser pays \$400 to place one rooftop ad for a month, the ad agency representing the buyer would get \$60 off the top. Of the remaining \$340, the company that sold the space--in this market that's either Cascio or Clear Channel Taxi Media--gets about \$124.

The other \$216 is sent to the cab owner, who must pay 6 percent, or nearly \$13, in city lease tax. (In the first 12 months, the city expects to take in \$200,000.)

The pie is now reduced to about \$203, with 65 percent, or \$132, going to the cab owner, and about \$71 going to the driver who leases a cab.

This example is hypothetical. Some observers say the ads are selling for significantly less than \$400, and some fleet owners have cut deals where they get a flat sum each month, rather than a slice of actual ad sales.

But the overall breakdown leaves some drivers feeling burned.

"It's another smokescreen by a city council that worries more about geese than it does about cab drivers," said Johnny Holmes, president of the Taxi Brotherhood, an association of drivers. He was referring to the council's decision last month to ban the sale of foie gras, a delicacy made with goose or duck livers, starting in late August.

A driver's gasoline costs this year are about \$4,200 greater than a year ago, he said, adding that the ad revenue won't come close to covering that hike.

And some fleet owners, while glad for any new revenue stream, say it won't go a long way toward covering their rising costs.

Simon Garber, owner of Chicago Carriage Cab, is putting rooftop ads on his entire fleet of 637 taxis and side wraps on 50 of those as well.

He has opted for a multiyear contract with Clear Channel in which his company is paid \$70 per month per rooftop ad, regardless of whether the ad space is sold. Of that, a driver gets \$24.50 or about \$1 a day.

Noting that he has been in the taxi business in New York for more than 20 years, he said ad sales are seasonal and prices will drop as more cars are outfitted for the ads and the novelty wears off.

In his New York operations, the monthly take on a rooftop ad has been \$65 to \$66 for the past four years, and it will rise to \$72 in a new contract, he said.

At his current fleet size, his annual take would be about \$350,000, a relatively small sum for the Chicago operation, which has annual gross revenue of \$22 million. Insurance costs alone are up 19 percent over last year, he said.

"I doubt ad revenue will help a lot. What will help is an increase in ridership," he said, adding that he sees positive trends in that regard, with the rise in residential development downtown and the recovery of the travel industry.

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