Synthesis of Transit Practice

Transit Marketing: Successes and Failures
TRANSPORTATION RESEARCH BOARD EXECUTIVE COMMITTEE 1987

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Synthesis of Transit Practice

Transit Marketing: Successes and Failures

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TRANSPORTATION RESEARCH BOARD
National Research Council
Washington, D.C. September 1987
Administrators, engineers, and many others in the transit industry are faced with a multitude of complex problems that range between local, regional, and national in their prevalence. How they might be solved is open to a variety of approaches; however, it is an established fact that a highly effective approach to problems of widespread commonality is one in which operating agencies join cooperatively to support, both in financial and other participatory respects, systematic research that is well designed, practically oriented, and carried out by highly competent researchers. As problems grow rapidly in number and escalate in complexity, the value of an orderly, high quality cooperative endeavor likewise escalates.

Recognizing this in light of the many needs of the transit industry at large, the Urban Mass Transportation Administration, U.S. Department of Transportation, got under way in 1980 the National Cooperative Transit Research & Development Program (NCTRP). This is an objective national program that provides a mechanism by which UMTA's principal client groups across the nation can join cooperatively in an attempt to solve near-term public transportation problems through applied research, development, test, and evaluation. The client groups thereby have a channel through which they can directly influence a portion of UMTA's annual activities in transit technology development and deployment. Although present funding of the NCTRP is entirely from UMTA's Section 6 funds, the planning leading to inception of the Program envisioned that UMTA's client groups would join ultimately in providing additional support, thereby enabling the Program to address a large number of problems each year.

The NCTRP operates by means of agreements between UMTA as the sponsor and (1) the National Research Council as the Primary Technical Contractor (PTC) responsible for administrative and technical services, (2) the American Public Transit Association, responsible for operation of a Technical Steering Group (TSG) comprised of representatives of transit operators, local government officials, State DOT officials, and officials from UMTA's Office of Technical Assistance, and (3) the Urban Consortium for Technology Initiatives/Public Technology, Inc., responsible for providing the local government officials for the Technical Steering Group.

Research Programs for the NCTRP are developed annually by the Technical Steering Group, which identifies key problems, ranks them in order of priority, and establishes programs of projects for UMTA approval. Once approved, they are referred to the National Research Council for acceptance and administration through the Transportation Research Board.

Research projects addressing the problems referred from UMTA are defined by panels of experts established by the Board to provide technical guidance and counsel in the problem areas. The projects are advertised widely for proposals, and qualified agencies are selected on the basis of research plans offering the greatest probabilities of success. The research is carried out by these agencies under contract to the National Research Council, and administration and surveillance of the contract work are the responsibilities of the National Research Council and Board.

The needs for transit research are many, and the National Cooperative Transit Research & Development Program is a mechanism for deriving timely solutions for transportation problems of mutual concern to many responsible groups. In doing so, the Program operates complementary to, rather than as a substitute for or duplicate of, other transit research programs.

NCTRP SYNTHESIS 12
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Each report is reviewed and accepted for publication by the technical committee according to procedures established and monitored by the Transportation Research Board Executive Committee and the Governing Board of the National Research Council.

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PREFACE

A vast storehouse of information exists on nearly every subject of concern to the transit industry. Much of this information has resulted from both research and the successful application of solutions to the problems faced by practitioners in their daily work. Because previously there has been no systematic means for compiling such useful information and making it available to the entire transit community, the Urban Mass Transportation Administration of the U.S. Department of Transportation has, through the mechanism of the National Cooperative Transit Research & Development Program, authorized the Transportation Research Board to undertake a series of studies to search out and synthesize useful knowledge from all available sources and to prepare documented reports on current practices in the subject areas of concern.

This synthesis series reports on various practices, making specific recommendations where appropriate but without the detailed directions usually found in handbooks or design manuals. Nonetheless, these documents can serve similar purposes, for each is a compendium of the best knowledge available on measures found to be successful in resolving specific problems. The extent to which these reports are useful will be tempered by the user's knowledge and experience in the particular problem area.

FOREWORD

By Staff Transportation Research Board

This synthesis will be of interest to transit planners, administrators, and others in the transit field who are concerned with the marketing of transit services. Information is presented on transit marketing programs that have been successful and on some that were not successful.

Administrators, engineers, and researchers are continually faced with problems on which much information exists, either in the form of reports or in terms of undocumented experience and practice. Unfortunately, this information often is scattered and unevaluated, and, as a consequence, in seeking solutions, full information on what has been learned about a problem frequently is not assembled. Costly research findings may go unused, valuable experience may be overlooked, and full consideration may not be given to the available methods of solving or alleviating the problem. In an effort to correct this situation, NCTRP Project 60-1, carried out by the Transportation Research Board as the research agency, has the objective of reporting on common transit problems and synthesizing available information. The synthesis reports from this endeavor constitute an NCTRP publication series in which various forms of relevant information are assembled into single, concise documents pertaining to specific problems or sets of closely related problems.

Transit agencies have tried many different types of marketing programs to increase ridership or revenue or to improve operations; these have met with varying degrees
of success. This report of the Transportation Research Board describes several of these programs and gives a general indication of why some are more successful than others.

To develop this synthesis in a comprehensive manner and to ensure inclusion of significant knowledge, the Board analyzed available information assembled from numerous sources, including a large number of public transportation agencies. A topic panel of experts in the subject area was established to guide the researcher in organizing and evaluating the collected data, and to review the final synthesis report.

This synthesis is an immediately useful document that records practices that were acceptable within the limitations of the knowledge available at the time of its preparation. As the processes of advancement continue, new knowledge can be expected to be added to that now at hand.
ACKNOWLEDGMENTS

This synthesis was completed by the Transportation Research Board under the supervision of Robert E. Skinner, Jr., Director for Special Projects. The Principal Investigators responsible for conduct of the synthesis were Thomas L. Copas and Herbert A. Pennock, Special Projects Engineers. This synthesis was edited by Anne S. Brennan.

Special appreciation is expressed to Richard L. Oram, Principal, Transit Innovations, New York, New York, who was responsible for the collection of data and the preparation of the report.

Valuable assistance in the preparation of this synthesis was provided by the Topic Panel, consisting of Albert Babincz, Director of Marketing, Central New York Regional Transportation Authority; Peter B. Everett, Associate Professor, Pennsylvania State University; Genevieve Leary, Senior Management Specialist, Division of Transit Services, Montgomery County Department of Transportation; Gerald K. Miller, Senior Research Associate, The Urban Institute; Edith Page, Office of Technology Assessment, STI Program, U.S. Congress; Alex Pepesca, Manager, Marketing Research, VIA Rail Canada Inc.; John H. Stamas, Marketing Specialist, Bay Area Rapid Transit; Barry Watson, Marketing Research Coordinator, Toronto Transit Commission; and Bert Arrillaga, Chief, Pricing Policy Group, Urban Mass Transportation Administration (Liaison).

W. Campbell Graeub, Engineer of Public Transportation, of the Transportation Research Board, assisted the Project 60-1 Staff and the Topic Panel.

Information on current practice was provided by many transit agencies. Their cooperation and assistance were most helpful.
TRANSIT MARKETING: SUCCESSES AND FAILURES

SUMMARY

Over the years many different transit marketing programs have been tried with varying degrees of success. This synthesis looks at several of the various types of programs and gives a general indication of why some are more successful than others. It is important to understand that the success of a marketing program should only be measured against the objectives of the program; thus a program's objectives should be defined as clearly as possible at the beginning. Also, most marketing programs are reflective of local conditions; what works in one area may not work elsewhere.

For the purposes of this synthesis, the primary objectives of marketing programs were assumed to be increases in ridership or revenue. (Decreases in deficits can be considered as increases in revenue.) A program that increases both ridership and revenue would be a clear success; programs that increase one but decrease the other are viewed as trade-offs; and those that decrease both are considered as failures. Note, however, that many marketing programs have objectives other than increases in revenue or ridership, and that even where increased ridership may be an objective, it may be only an off-peak increase that is desired.

Market segmentation practices (i.e., targeting marketing efforts at specific market segments) will often improve the effect of a marketing program or even change a failure to a success. Examples include fare-change or pass programs targeted to specific groups or substitution of paratransit service for bus routes with low ridership.

The major marketing characteristics usually considered are the four Ps: product, place, price, and promotion. In transit use, product and place are usually represented by service.

Service changes that have been marketing successes because they reduce deficits include changes in suburban service to private operation, use of carefully designed shopping mall services, and incentives to improve attitudes of employees with public contact. As there is often little flexibility in the transit product, and as many survey
respondents did not consider marketing to include service elements, relatively few service changes were reported.

Price marketing includes those strategies that concern fare structure changes or prepayment plans. Fare structure changes targeted to specific groups or certain times have had some success. For example, special low fares on weekends and fare-free zones have increased ridership significantly, although requiring some subsidy; with private-sector support these can be clear successes. Fare prepayment plans have been widely tried. Use of passes for unlimited rides result in few new riders and appreciable revenue losses from existing riders switching to passes. However, an employer subsidy decreases the revenue loss and increases ridership. Fare prepayment coupled with merchant discount coupons has been successful as were plans that used a prepaid permit with a cash payment.

Promotion efforts by transit agencies have been in the areas of advertising, publicity, incentives, personal contact, and atmosphere improvements. Successful advertising practices have been reported, but evidence is often lacking because of the difficulty in measuring effectiveness. Substantial recent experience has shown that direct mail and other types of advertising targeted to specific markets is more likely to be successful. Incentives, such as free fares or on-board fare reductions, attract riders for the duration of the promotion but may not attract enough new riders to offset the revenue loss. On the other hand, incentives sponsored by private industry are usually clear successes, increasing both ridership and revenue.

Regardless of the type of marketing used, it is essential to include an evaluation phase. In some cases the evaluation is built into the marketing program (for example, mail-in offers or discount coupons) and thus analysis of the impacts is relatively easy. Other types of marketing efforts may require more extensive studies of factors such as attitudes and awareness.

The involvement of the private sector as a sponsor or promotor of transit marketing and as a direct provider of certain types of service can have a beneficial overall effect on transit. Employer-subsidized passes, for example, can help build off-peak demand while avoiding revenue losses. Moreover, partnership with the private sector implies a message of community support.

Increased use of market segmentation, direct marketing, computer applications to marketing, and targeted use of incentives are important trends in transit marketing. The transit industry has developed new ways to target service, fare, and other innovations to specific market segments and is also making increased use of target marketing in information and promotion campaigns.

The transit industry has begun to change from emphasizing product marketing to focus on consumer marketing. There are many promising new initiatives and a wealth of experience available to guide local agencies. Indeed, there is no shortage of ideas in transit marketing; the primary needs that remain are to devote additional resources to marketing, to build local capability for more effective marketing management, and to increase the industry's use of evaluation methods.
CHAPTER ONE

INTRODUCTION

PURPOSE OF REPORT

This document is a synthesis of successes and failures in the field of transit marketing, based on a literature review and survey of transit marketing practitioners carried out in early 1985. It is intended to assist development of effective transit marketing programs through information dissemination. It also presents contemporary issues and points to the present limits of knowledge and new directions being taken to advance transit marketing.

PROJECT SCOPE AND LIMITATIONS

Although the scope for this synthesis stressed identification of successful and unsuccessful marketing techniques and strategies, an important point of view on transit marketing emphasizes that the process of marketing evaluation is the key to successful programs, rather than an abstract identification of projects or products. That is, an agency can draw general guidance from review of another agency's experiences, but this does not reduce its need for clear objectives or monitoring and evaluation of project impacts. However, many transit agencies, particularly the smaller ones, do not have the staff or funds needed for marketing evaluation. Thus, many agencies are unable to isolate the marketing techniques that could be effective for their agency, and they rely solely on outside experience to guide their own efforts. For the smallest agencies with very restricted resources, this report's summary of experiences in other cities may be most helpful. For others, however, perhaps the most useful product of this study is the identification of simple marketing evaluation techniques that can be applied with only a limited budget.

The transit marketing literature and this study's questionnaire responses indicate that transit marketing programs vary significantly from city to city and are reflective of local conditions and concerns. This also indicates a limit to information sharing as a basis for developing successful marketing programs. It is useful to note variations in city and agency characteristics that may affect the replication of other cities' successes, or change the circumstances associated with a failure; these and other factors limiting the transferability of marketing results must be kept in mind as this report is considered. The differences include the size of the agency, city characteristics (e.g., weather conditions influencing propensity for off-peak trips, or the history of private-sector involvement in public services), peak-to-base operating conditions affecting the viability of attracting additional rush-hour riders, an urban versus suburban focus, the modes operated (demand responsive versus bus versus rail), constraints or opportunities such as labor restrictions or the ability to contract for service with private operators, and differences in target groups being marketed such as commuters, senior citizens, and youth. Local conditions have a major influence on design of transit marketing projects and determination of success. A transit agency's basic goals (e.g., emphasis of ridership growth or cost containment) profoundly influence its own marketing and the applicability of other cities' successes or failures in marketing.

A more basic limitation of this study is the lack of information available on the performance of many marketing techniques. Marketing evaluation is a persistent transit problem; there is simply a lack of evidence on the impacts of many types of transit marketing. This reflects staff and budget shortages and weaknesses in the design of transit marketing programs, and in turn the lack of evaluation and justification of the marketing function influences the support and resources directed to it. There are many transit marketing topics to which success or failure cannot be ascribed.

Success of a marketing program should be measured against the objectives of the program. However, the objectives of marketing efforts are often broad or unclear, making evaluation difficult. Although ridership and revenue are the most common and important transit marketing objectives, other objectives also motivate transit marketing. Objectives such as image, public relations, or courting of community support are less quantifiable than ridership or revenue targets, and achievement of these marketing goals is difficult to evaluate. Although ridership, revenue, and cost objectives are emphasized in this report, these objectives may not fully reflect any transit agency's marketing concerns. Thus, as this report offers conclusions based on ridership, revenue, and cost impacts, this relatively narrow definition of success is a limitation to be kept in mind.

METHODOLOGY

A search of the extensive literature related to transit marketing, promotion, service improvements, and related topics was performed first. A survey (see Appendix) of transit marketing practitioners was then done to directly solicit comments on recent marketing experiences considered successful, those considered less successful, the basis of these conclusions, and other comments to assist general orientation of the study to practical needs of transit marketers.
MARKETING AND TRANSIT MARKETING DEFINED

"Marketing" is a commonly used but often misunderstood term. The best explanation revealed by this study (1) is paraphrased as follows. Marketing is not just selling. Selling puts the emphasis on the product. Marketing puts the emphasis on the customer. Marketing is the set of human activities directed at facilitating and consummating the exchange of something for something else. Managers need knowledge of marketing because it is a useful business tool and because marketing-oriented organizations are usually more successful than production-oriented organizations.

Other definitions of marketing stress the "Four Ps": product, price, place, and promotion. These categories of marketing activities are the marketing mix of characteristics that a successful marketer uses to maximize the appeal of an existing or new product to the general or target market(s).

Transit can be difficult to consider in a marketing context because it is somewhat inflexible (i.e., regular route bus service) and because the transit industry's history as a monopoly has given transit a production rather than consumer orientation. It is vital, however, to consider transit marketing as including all facets of product design and delivery, not only the traditional advertising and promotional elements of the marketing mix that are widely used in transit. The Four Ps applied to transit are shown in Table 1. Beyond the Four Ps, transit marketing reports and experts emphasize the role of market research, market segmentation, and evaluation as equally vital elements of a strategic management approach to transit marketing. A schematic of the transit marketing process appears as Figure 1 (2). "Place" is not identified as part of the marketing mix in this representation; it can be said that "product" and "place" are mutually subsumed as transit "service."

<table>
<thead>
<tr>
<th>TABLE I</th>
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<tbody>
<tr>
<td>MARKETING'S FOUR P S APPLIED TO TRANSIT</td>
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<tr>
<td>Product</td>
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<tr>
<td>Buses, taxis, vans, trains, ferries</td>
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<td>Service freq.</td>
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<td>Coordinated service</td>
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<td>Special services</td>
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<td>Safety</td>
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<td>Staff appearance</td>
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<tr>
<td>Staff attitude</td>
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<tr>
<td>Customer service</td>
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</tbody>
</table>

FIGURE 1 The transit marketing practice (2).

DEFINING TRANSIT MARKETING SUCCESSES AND FAILURES

With the caveats noted above, this report uses a trade-off evaluation scheme to illustrate transit marketing successes and failures. Not considering other objectives, Figure 2 illustrates successful and less successful marketing projects as those with different combinations of positive and negative impacts on ridership and revenue. Net revenue and ridership are used because marketing projects have simultaneous negative and positive impacts (e.g., changing express to local service or reducing fares lose ridership and revenue from current users, but also draw new riders and revenue). Although revenue and ridership are the most common and clear marketing objectives, it is better to view revenue as net deficit, to reflect effects of marketing projects on costs. This is particularly true for service changes.

Projects that increase both revenue and ridership are clear successes. A new project increasing both revenue and ridership falls in the top right (or northeast) quadrant of Figure 2, Area A. The more cost-effective a project, the more to the northeast it falls. Whether project 1 is more successful than project 3 depends on the relative weighing of performance on ridership as opposed to revenue goals. It is clear, however, that projects 1 and 3 are more successful than project 4 and that project 2 is the most successful.

Although the effects of specific marketing projects are discussed in Chapter 2, a few examples are noted here to illustrate the evaluation tool that Figure 2 represents. An example of a project in the Area A quadrant is an employer subsidy program.
Assuming administrative costs are smaller than revenue effects from subsidies, both net revenue and ridership increase. In fact, employer subsidy might be the most successful project, #2. Other programs likely to fall in this “clear success” area are vanpool programs, targeted distribution of free ride tickets, and merchant discount programs.

Projects in Area B, where ridership rises but revenue falls, can be successful or not depending on trade-offs between agency revenue and ridership goals. It is clear, however, that project #5 is better than #6, that #6 is better than #7, and that #8 is better than #7. Project #5 is the best example shown. Onboard fare reduction is a project likely to fall in Area B; usual riding gains are too small to offset revenue losses from existing riders. The general experience with prepaid pass programs shows them to fall into Area B, usually like project #6 or even #7 as they create only minor increases in riding but can lose significant revenue. Express bus routes often fall in Area B; they increase ridership but have relatively poor revenue/cost performance.

Projects in Area C have the reverse impacts of those in Area B (i.e., ridership falls but net revenue increases). The desirability of these actions is based on the relative importance of agency revenue versus ridership objectives or constraints. Fare increases fall into this category, but a general fare increase shown as

<table>
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<tr>
<th>AREA A: Success</th>
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<tbody>
<tr>
<td>#1 more successful</td>
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<td>#2 most successful</td>
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<tr>
<td>#4 successful</td>
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<td>#3 more successful</td>
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<th>AREA B: Tradeoff</th>
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<td>#8</td>
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<td>#5</td>
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<tr>
<th>AREA C: Tradeoff</th>
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<tr>
<td>Examples in this category:</td>
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<tr>
<td>Ineffective advertising</td>
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<tr>
<td>Poor public relations</td>
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<tr>
<td>Poor customer relations</td>
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<tr>
<td>Complex fares, routes</td>
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<td>Poor user information</td>
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<th>AREA D: Failure</th>
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<td>Examples in this category:</td>
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<tr>
<td>Ineffective advertising</td>
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<td>Poor public relations</td>
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<td>Poor customer relations</td>
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<td>Complex fares, routes</td>
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<td>Poor user information</td>
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| Examples in this category: |
| Employer subsidy |
| Vanpools |
| Targeted incentives |
| Merchant discounts |

FIGURE 2 Transit marketing trade-off evaluation method (based on 3 and 4).
project #9 is inferior to #10 (targeted by age, for example) as #9 causes more ridership loss but has the same revenue impact. Option #11 (time of day differential) is superior as it generates the most revenue but loses less ridership than #9 and the same as #10. Taxi or van replacements for bus routes or other cost-cutting measures that lose rides but have a positive effect on net revenue (deficit) also fall in Area C.

On the basis of revenue and ridership, projects in Area D are clear failures, as they reduce both. An advertising program causing a negative reaction may deter ridership as well as be expensive to implement. Critical newspaper editorials influence both ridership and revenue, as can the lack of a customer-service attitude by agency staff. Fare increases fall into this category when the increase is very sharp or poorly received and a very strong rider reaction occurs. Overly complicated fare structures or poor user information materials may also deter ridership and lose revenue. It is difficult to "place" any of these examples of marketing failures within Area D, as limited information is available. It is also clear that a project intended for Area C may end up in Area D; a complex fare structure intended to increase revenues or a new routing system expected to reduce service costs may be unattractive or confusing, and thus lose so many riders as to offset the intended benefit.

LIMITATIONS OF THE EVALUATION SCHEME

Some important issues are obscured by Figure 2. For one, it does not reflect temporal and level-of-investment factors. Virtually all marketing efforts have many phases; different phases of promotions may cover a few weeks, new services are introduced over a few months, and an employer subsidy program is developed over many years. Some programs have potential for payoff only over a long period. Thus, threshold levels of investment are not reflected in Figure 2; advancing a project with inadequate commitment can make it less successful than it otherwise may be. A trade-off (Area B or C) could be a clear success (Area A) with increased investment. Conversely, a marketing investment can also be taken too far, beyond the point of diminishing returns.

Related to the temporal concern is the potential that some current projects have for improvement, or the combined synergistic effects of integrated strategies with more than one element. For example, unlimited-use transit passes were noted above as an Area B trade-off, gaining riders at the expense of revenue. Demonstrations have shown that employer sales and subsidies are a key to increasing the cost-effectiveness of passes, that at least a moderate number of sales outlets are needed, and that merchant discount and promotional pricing strategies can be well applied. Market segmentation principles have also been applied to prepayment, using permits and restricted-use passes that reduce revenue loss while increasing market penetration. With expansion, enhancement, or other program dimensions, a strategy that might initially be an Area B trade-off can be more efficient or effective, and thus can "relocate unfeasiestly" in Area B or as a clearly successful Area A activity. Thus, a limitation of Figure 2 is that it does not easily reflect dynamic factors vital to improving transit marketing. From another view, this dynamism may be the key role of evaluation (i.e., guidance to assess and improve marketing performance). This should not be obscured.

Figure 2 also gives an impression that more revenue and more riders are always good. Many agencies do not maximize revenues, but merely meet a budget requirement. Many transit agencies have peak-period capacity problems and do not pursue growth of that market. High peak-period marginal costs as opposed to the almost zero marginal cost of additional off-peak rides are very significant factors not addressed by Figure 2. In contrast, transit agencies often have very different policies regarding revenue versus ridership generation priorities for peak versus off-peak service.

Finally, as noted above and seen in the following chapters, quite a few transit marketing projects cannot be "plotted" on Figure 2 because of limited evidence on their effect, or because projects focus on intermediate or other objectives and have only indirect influence on revenue and ridership goals. It will also be obvious that the guidance provided by this trade-off model is quite rough and only conceptual rather than precise.

Despite these limitations, the framework provided by Figure 2 is useful in illustrating the commentary on transit marketing successes and failures provided by this report.
CHAPTER TWO

SUCCESSES AND FAILURES

This chapter is a summary review of transit marketing impacts reflecting the 1985 state of knowledge of the field. By necessity, the review is incomplete in relation to the full scope of transit marketing. In areas where evidence is unavailable, discussion relies on theoretical or conceptual contributions to the field. Some marketing techniques are simply not discussed. Most of the reported successes and failures are in the areas of price and promotion. Even here, the review is not exhaustive but representative of the field.

This chapter's organization reflects the definition of marketing in Chapter 1, emphasizing market research and segmentation, the Four Ps, and evaluation. Applications of private-sector involvement, which is increasingly important to many transit marketing departments, are also discussed in many areas.

A summary overview and additional conclusions on the state of knowledge in transit marketing appear in Chapter 3.

MARKET RESEARCH AND MARKET SEGMENTATION

Market research and segmentation are fundamental concepts and practices influencing all dimensions of product, price, place, and promotion. As they are comprehensive, no responses to this study's survey cited these areas per se as a success of failure. Nonetheless, the most-emphasized transit service, fare, and marketing innovations pursue specialized improvements aimed at distinct market segments, such as vanpool and other paratransit programs, differential fares, pricing, targeted use of incentives, specialized prepayment programs for subsets of the total market, and direct marketing. Specific projects of this type are reviewed in later sections. A number of particularly notable marketing projects use direct marketing and market segmentation to efficiently distribute incentives that promote transit while simultaneously accomplishing market research objectives.

Market research is essential to effective use of market segmentation, particularly when developing targeted marketing products as opposed to those intended to appeal to wider markets. Products or services aimed at unique segments run a higher risk of missing the target if the special needs or preferences of the market segment are not met, or if selected characteristics are not dominant and fail to motivate sales. Computer marketing applications allow collection and use of more data on specific market segments and make direct marketing more efficient in targeting specialized information, incentives or advertising messages. These techniques are widely used in the private sector and are gaining use in transit. The importance of market research in guiding these efforts cannot be overstated.

For different marketing purposes, a full range of alternative market segmentation schemes may be useful. For example, it may be important to target the marketing product or project according to geography, time of day or day of week, demographics, psychographics, existing riders versus new riders, trip frequencies, or many other stratifications. The point is to select the key market segments of concern, isolate the dominant characteristics or attitudes, and target the marketing project accordingly.

The trade-off evaluation framework in Chapter 1 can illustrate impacts of market research and segmentation. Market research isolates market and product characteristics requiring emphasis, increasing the likelihood of success. Projects targeted to market segments emphasize positive factors and minimize negative factors. For example, a market-segmented fare change or pass program improvement "moves" the general market strategy effect to the northeast (i.e., to better revenue and ridership impacts as shown by solid arrows in Figure 3). As another example, shared-taxi and vanpool replacements for poorly performing bus services focus service on commuter and transit-dependent sub-markets, and can operate at less total expense and/or with more costs covered by fares, although ridership may not grow. This change would be from an Area D failure to an Area C trade-off or possibly an Area A success depending on the actual ridership impact, as shown by the broken lines in Figure 3.

Private-sector involvement issues are also related to market segmentation. As noted below, some current service improvements involve specialized privately operated services for distinct target markets. In the service area, market segmentation principles may be merging with "supply segmentation" practices, with increased market segmentation emphasis resulting from the private-sector involvement impetus. Regarding price improvements, employer subsidies, while affecting only a segment of the total pass-buying market, are a key to cost-effective pass programs. Similar promotion examples also indicate the role of private-sector involvement in advancing market segmentation practice.

Attesting to the increasing importance of market segmentation in transit, the first study being commissioned under a new Urban Mass Transportation Administration (UMTA) marketing initiative covers uses of market segmentation in transit. The brief treatment here, in relation to sections below, does not imply less overall importance.
SERVICE: PRODUCT AND PLACE

Although many consider the transit product inflexible, a range of transit service improvements have been developed. However, this study's survey of marketing practitioners provided few service change success or failure examples; most responses were in price and promotion areas. This reflects the industry's dominant definition and common practice of marketing. The discussion here draws more on published literature, and, because of the range of possible service improvements and volume of literature, the discussion is not exhaustive. It illustrates contemporary service improvements and their assessment in the tradeoff evaluation scheme. Whether a specific service change is appropriate for one area or another, let alone whether it succeeds or not, is dependent on many factors beyond the change itself. Experiences in other areas do not substitute for a local market research and market segmentation process.

Labeling a specific service change a success or failure here risks its being interpreted as an always successful or unsuccessful strategy. As many of the service changes noted below involve innovative services, this discussion is intended only to indicate promising directions and the problems innovations have addressed. Only limited statements on success and failure can be made.

Suburban service has been a transit concern for years. As travel dispersed with suburbanization, agencies deployed differ-
dent services in suburbia but found them problematic. Beyond simple route extensions having limited appeal, the first new suburban service was express bus routes. These can be successful in attracting riders, but deadheading and peaking factors associated with suburban express make it costly to provide. Cost allocation studies find suburban express more deficit-prone than regular service in nonsuburban areas, despite higher express fares. Park-and-ride improves suburban service efficiency by using autos as feeders. It is popular but costs about the same to operate as suburban services without feeder lots; land and maintenance costs can make park-and-ride service more costly. As shown in Figure 4, suburban express and park-and-ride can be considered trade-off service strategies; increased ridership results, but usually at higher deficits or lower net revenue than regular service. Some agencies now replace publicly operated express or park-and-ride services with privately operated service at lower cost. A Los Angeles area study found privately provided express service could reduce deficit requirements to almost zero. In this case, express/park-and-ride service becomes a successful Area A strategy, as also shown in Figure 4.

Tidewater Regional Transit (Norfolk, Virginia) contracts suburban service to private operators to reduce direct operating expenses, and sometimes leases vehicles for this purpose. Tri-County Transit (Orlando, Florida) contracted suburban express/park-and-ride services to a private operator primarily to reduce pressure on their physical facility and forestall relocation.

FIGURE 4 Effects of suburban service strategies.
These changes reduce costs and maintain service and ridership levels; they can change suburban services from Area B tradecrafts to Area A successes, as shown by solid lines in Figure 4.

The Direct Access to Regional Transit feeder service in suburban San Diego, California is another innovative approach to cost-effective service in suburbs. Taxis feed regular bus routes; they cost less to provide than regular bus service, and enable service to hilly areas where buses cannot go. A similar strategy used by Tidewater Regional Transit (TRT) when forced to discontinue unsuccessful bus service in suburban areas involves shared-taxi replacements for bus service. The TRT experience indicates that contracted shared-taxi service is a less costly alternative that reduces deficit per passenger in areas with poorly performing bus services. Shared-taxis were not successful in generating adequate demand in new service areas, however. Although shared-taxi service may not carry as many riders as bus service, TRT considers the service successful; service is maintained that otherwise could not be. As ridership fell, the change was from an unsuccessful Area D service to a trade-off Area C service; fewer riders were carried but at a lower deficit per passenger. The impact of this project is shown as the lowermost broken line in Figure 3.

A different variation or response to the suburban problem is the provision of vanpools and promotion of carpooling, which tend to be self-supporting. Ridesharing services in general can be considered Area A strategies, in that "ridership" is developed with minimal subsidy. At least two areas, Huntsville, Alabama and Norfolk, Virginia, have taken organized ridesharing further as "community-based" transit services. Here vans are leased for a token amount to community organizations, such as churches and senior citizen centers, for their own use in meeting travel needs of their members. Providing these services reduces needs and pressures for conventional transit, which costs more to provide on a per ride basis than the leased vans.

Integrating bicycles and transit has been used in Santa Barbara, Santa Clara, Humboldt County, and elsewhere in California, including Bay Area Rapid Transit, to facilitate suburban access. Bike racks/lockers at bus stops and rail stations, and in some cases bike trailers, have been found effective. In Irvine, California, Orange County Transit had bike racks installed at several bus stops, along with shelters. Merchants paid for maintenance and a $50 per shelter per month cash payment, in return for the advertising franchise for space on the shelter units. These improvements, costing little but having positive impacts on ridership, can also be considered Area A successes.

A new conventional suburban service is the "Mall Crawler" implemented by the Southeastern Michigan Transportation Authority (SEMTA) in Detroit suburbs in 1983. The service linked suburban shopping areas, was well utilized, and had a revenue-to-cost ratio above the system average. Experience indicates these services can be difficult to plan and market, however. A "Jingle Bus" service developed by Tri-County Transit in Orlando, Florida to link suburban malls during the 1984 Christmas season proved ineffective, reportedly because of service design problems and despite support from merchants and radio stations. The SEMTA Mall Crawler success was partly attributed to aggressive and expensive radio ads. If popular, these services can draw ridership but are not likely to be successful in cost and revenue terms alone; they are trade-off strategies.

Another area of ongoing concern is the lack of consumer attitude or customer service orientation of transit agency staff.

Although this area may also be addressed as a transit promotion topic (see Promotion), attitudes of operators, information clerks, and all other agency employees have vital impacts on the transit product. Training programs are suggested, and an UMTA marketing demonstration program has identified attitude training as a top priority. Chittenden County Transportation Authority in Burlington, Vermont instituted a bonus program in 1983 in which union operators receive half the operating revenue above the annually budgeted sum. The program was designed to improve customer relations, the drivers' function in attracting riders, and improved operator scrutiny of fare collection, and has been a clear success. In the first year, operators received bonus payments of about $50 each, which increased in the second year to more than $150. Operator commendations rose more than 30 percent and complaints fell 28 percent. The program was renewed in a 1985 union agreement. Greater Richmond Transit in Richmond, Virginia also sought to reward extra customer courtesy efforts by drivers. A "mystery rider" noted driver courtesy and submitted reports. The project plan called for 12 awards to be granted, but positive results led to 25 awards. These efforts can be considered successful Area A techniques.

Bus meisters are a method for gaining customer support, stemming complaints, and maintaining the transit product quality. Tidewater Regional Transit (Norfolk, Virginia) asks people who complain about bus service to be bus meisters. They write monthly reports on problems they observe or hear of in exchange for a free monthly pass. Bus meisters are a valuable on-board information source that also helps maintain positive image, public relations, and word-of-mouth advertising. The revenue loss associated with them is very minor relative to their effect in helping maintain a quality transit product; they can be considered a successful Area A technique.

Price

The price attribute of the transit product receives significant attention. Unlike other transit marketing topics, reasonable effort has been directed to evaluate impacts of price attributes. The discussion below does not address fare levels per se, but concerns fare structure, prepayment, and prepayment-related topics. Use of fares as a ridership incentive (i.e., a short-term tool to bolster ridership) is discussed under Promotion.

UMTA-funded demonstrations and diverse local experience have shown that fare structure improvements can reduce the ridership-impeding effects of fares and fare increases, and that fare programs can increase ridership. These improvements include fare structures targeting higher fares to least sensitive rider groups, fare prepayment plans that encourage increased ridership, and methods for integrating fare subsidy or ridership rewards from the private sector. It is possible to identify a number of clear and mixed successes, limited failures, and promising but unproven new directions. Private-sector involvement appears as a key to successful fare-related marketing programs.

Fare Structure

Research has shown that different market segments have different sensitivities to fares. These data, developed from extensive
fare change studies, combined with findings from other research, indicate that fare structures focusing higher fares on long-distance or peak-period riders will be more efficient and effective than flat fares. That is, more ridership is retained and revenues are maximized when fare increases are targeted for commuters, and off-peak fares are raised by lesser amounts. Although peak/off-peak fare differentials are thus supported by theory, few transit agencies have introduced peak differentials sharp enough to garner the full benefits of the strategy. Distance-based fares are accepted as a revenue maximizing tool. As shown in Figure 3, these and other targeted fare strategies are more successful than general fare increases, although any fare increase is a trade-off.

A new fare structure was implemented by Cincinnati's Queen City Metro (QCM) in 1984 as a result of a successful promotion. The "Weekend Explorer" program offered reduced fares on weekends; 25-cent rides opposed to the normal 50-cent fare began in October 1983 as part of a holiday season promotion. Rider response led to the program's continuation after an initial 13-week period. The agency's goal of a minimum 15 percent increase in ridership was exceeded; weekend riding in the 13-week period was 31 percent above the previous year. Weekend riding was more than 25 percent above the 1983 level for all of 1984, despite an increase in the weekend fare to 35 cents in June 1984. The fare increase resulted from an evaluation that found most riders stimulated by the fare reduction would have ridden even if the reduction had been less than the original 50 percent. Weekend riders were found to be quite sensitive to fare, which supports the low-fare strategy. Although weekend revenue under the program fell by nearly 35 percent under the 25-cent fare and 15 percent during the 35-cent fare, weekend per-passenger deficit increased by only 3 percent under the 35-cent fare compared to pre-promotion levels. Although requiring additional subsidy (i.e., the strategy is an Area B trade-off, as shown in Figure 5), QCM considers the new fare structure very successful. QCM credited a range of private-sector supporters for cooperative advertising and other types of assistance important to Weekend Explorer's success.

Fare-free zones can also be considered trade-off price improvements, as riders are attracted with some loss in revenue. City and transit characteristics determine if fare-free zones lose more revenue than riders gained (i.e., whether they are strong or weak trade-offs). A fare-free zone operates in a restricted area and thus may lose less revenue than low weekend fares, and as it operates for more hours, it likely has a larger ridership impact. There are examples of fare-free or low-fare zones supported by downtown businesses of special municipal funds, such as in Rochester, New York and Seattle, Washington. Supported, a fare-free or low-fare zone is a successful Area A strategy, as indicated in Figure 5.

Another fare structure improvement concerns targeted fares for low-income or unemployed persons. User-side subsidy concepts suggest that targeted subsidies to individuals are preferable to subsidizing transit operators in order to effect desired goals. Meeting needs for special fare reduction with fare mechanisms designed for that group saves revenue lost to non-target group riders who benefit if lower fares are given to all riders. Arlington County, Virginia uses county funds to give 50 percent discounted WMATA (Washington Metropolitan Area Transportation Authority) passes or farecards to eligible low-income households. Special vouchers distributed by the county are redeemed at WMATA sales outlets. Of 2,240 eligible county households, more than 40 percent use the program, and 70 percent of the people enrolled in county programs receive the discount. Bus fares in Arlington County are higher than elsewhere in the WMATA area, and subsidies are lower; both are attributed to the low-income program.

CDTA in Albany, New York and Nashville MTA also report successful programs giving reduced fares to unemployed persons, although neither are supported by dedicated funds as is the Arlington program. Nashville's program served 500 people in the summer of 1984 and was found to cause a revenue loss of about $5000 per year, which the MTA accepts in relation to the induced ridership during and after unemployment, and to public relations, community service, and other benefits of the program.

As shown in Figure 5, the Arlington County program is an Area A success; it raises both ridership and revenue. Targeted fare reductions without dedicated funding such as in Albany and Nashville are probably Area B trade-offs, but, if part of a broader strategy, they can also be Area A successes if they are linked to higher fares or other policies offsetting their revenue loss.

Fare Prepayment

Diverse experience and evaluation of fare prepayment enables identification of successful and unsuccessful features. General prepayment and enhancements such as employer sales and subsidy, pricing and short-term discounts, merchant discounts, and limited-use and target-market passes can be assessed.

UMTA-sponsored prepayment demonstrations assessed employer and general sales strategies. Unlimited-use passes were found to be popular instruments that can help build ridership. Pass purchase behavior was seen to be very sensitive to pass price, with short-term discounts motivating very few new riders but significant increases in sales to existing riders. Very little new peak and only limited off-peak riding is induced by prepayment. Overall, especially when heavily discounted, passes were found to cause appreciable revenue losses and few new riders. General use of passes is thus an Area B trade-off; major revenue but only minor ridership impacts are likely, as shown in Figure 6.

As fares rose in the 1970s and awareness of revenue loss attributable to pass programs spread, agencies raised pass prices disproportionately. Monthly passes priced as low as $10 could have risen to $30. Reduced pass discounts combined with higher fares to yield, for many agencies, passes that were much less useful as marketing tools and less popular with riders. Most agencies now price passes above the commuter-only level of approximately 35 trips, which ensures that the only pass purchasers are people who make off-peak trips regularly. This limits the effectiveness of passes in encouraging riding in off-peak hours, which is an often claimed attribute of passes. This overall conclusion—the limited effectiveness of standard pass programs—led many agencies to pursue enhancements of the basic prepayment strategy.

It must be noted that many agencies do not assess pass programs in revenue and ridership terms alone. Passes are a convenient way to pay fares that can help build a riding habit. Revenue losses may be largely associated with off-peak trips,
which many agencies happily discount. Rail systems often consider the pass price the base fare and thus do not view discounts to pass buyers as a revenue loss at all. Pass discounts can also raise equity issues, as more affluent commuters tend to benefit most from them. Increased pass discounts are sometimes used to mitigate the effects of fare increases. Some agencies equate a successful pass program as one with high sales, whereas others stress goals for system revenue or average fare per ride; varying objectives lead to very different evaluations of pass program impacts.

Regardless of other objectives, however, effects of pass program improvements or enhancements of the basic strategy are attractive. On its own, employer subsidy is an Area A success technique; it increases ridership and revenues, and assuming low administrative expenses it has significant net financial impact. Employer sales also make pass purchases more convenient and sales to less frequent riders more likely. Adding employer subsidy and sales to a pass program improves its impact, moving the Figure 6 general strategy assessment to the northeast. Cities with prominent employer subsidy programs include Seattle, Boston, Des Moines, Bridgeport, Dallas, Denver, Philadelphia, Hartford, and Baltimore. More than 50 U.S. transit agencies have employer-subsidy programs.

A marketing tool some transit agencies have used in pursuing
employer subsidy is the matched discount; the agency offers
discounted passes if the employer agrees to at least match the
discount, and pass the total savings along to the employee. This
approach appears successful, having been used by agencies with
the most advanced employer-subsidy programs, such as Dallas,
Baltimore, Seattle, and Philadelphia. It appears successful in
causing employers to seriously consider subsidy provision, but
might best be considered a short- to medium-term strategy for
the initiation of employer programs. After a point, the fact that
a large number of employers provide subsidies should be ade­
quate to maintain existing subsidies as well as prompt new firms
to do so. However, no definitive study has been done indicating
if new employer subsidy effects compensate an agency for on­
going losses associated with the matched discounts.

Although evidence is less certain and development costs can
be higher than with employer subsidy, merchant discount pro­
grams offering retail savings to pass or token buyers are similar
to employer subsidy and are potentially an Area A success.
They offer a “plus” to riders with no negative and likely positive
impact on net revenues. A further enhancement of the merchant
discount strategy that can further improve its net impact is
sponsorship to reduce program costs. Bridgeport’s VALUE

FIGURE 6 Fare prepayment impacts.
FOA RE Merchant Discount Program is sponsored by a radio station whose trade contribution exceeds the direct costs of maintaining VALUE FARE.

Extensive merchant discount programs in Seattle, Portland, Bridgeport, and New Jersey are notable. They involve 200 or more stores and require significant budgets to develop. A modest way to spur prepayment with merchant incentives is to distribute a specific merchant coupon to riders. Syracuse has distributed free fast-food coupons in token packets for three years, and credits the added retail value in increasing sales. Similarly, WMATA in Washington, D.C. and SEPTA in Philadelphia have printed merchant coupons as part of their fare cards and passes. In Massachusetts, state regulations enable purchasers of transit passes to receive auto insurance discounts of up to $75 per year. Effects of merchant programs are noted in Figure 6.

Another limit to the effectiveness of fare prepayment is that not all riders who can benefit by prepayment actually take advantage of it. Except when pricing strongly favors passes, market penetration rates are low; often half of those who can benefit from passes do not buy them. The burden of prepaying transit fares at the start of the month is often suggested as impeding lower income riders (who ride most and thus could benefit most from prepayment). Another limiting factor is risk, the possibility of losing a pass or not making the required number of trips. Insight here comes from Rochester, New York where in 1980 a new weekly pass was introduced to supplement sales of the weekly pass were so high that revenue loss became a concern in the early years of the implementation of the unlimited use or general pass program strategy in Figure 6. A modest adaptation by other agencies. Tidewater Regional Transit (TRT) in Norfolk, Virginia replaced its long-declining monthly pass with a Fare Cutter Card, which was valid at all times with unlimited use, and the pass gives the friendship, senior citizen and school programs, personal sales, promotion.

PROMOTION

Of the Four Ps, promotion receives the most attention by transit agencies. For transit, promotion includes advertising (radio, newspaper, direct mail), publicity (free communications such as press releases, public service ads, in-depth articles), incentives (free or reduced fares, merchant discounts, contests), and personal contact (public relations, customer service, operator friendliness, senior citizen and school programs, personal sales), but without their associated revenue losses.

Bridgeport developed these concepts and maintained these passes after the demonstration, but its weak market did not prove their validity. This new approach to passes is now being adapted by other agencies. Tidewater Regional Transit (TRT) in Norfolk, Virginia replaced its long-declining monthly pass with a Fare Cutter Card in July 1984. Continued sales increases resulted, which by Spring 1985 had exceeded 40 percent above recent monthly pass sales levels. Evaluation found that TRT's Fare Cutter sold well in both commuter-only and commuter-plus market segments. Also, a major increase in ticket sales was attributable to the change to the Fare Cutter; the total prepayment increase was more than 50 percent. Some of the increase is associated with reduced break-even prices, from 43 for the pass to 36 for the Fare Cutter Card. Yet, because the permit's 25-cent fare reduces revenue loss, TRT believes the lower break-even prices were financed from reduced discounts to heavy riders, and that a ridership increase has resulted as well.

OmniTRANS in San Bernardino, California instituted a reduced fare permit, the Quarter Fare Pass, in July 1985 to supplement an existing pass whose sales were small. At this writing, permit sales have been low, probably because of the high permit price versus that of the pass, and the former offer break-evens of about 43 trips. Also, as both instruments offer unlimited use, the only incentive for the permit is the lower front-end price, and the pass gives more absolute savings. It is clear that price is a key concern of these new prepayment alternatives.

Effects of "market-segmented/restricted use" passes versus the general strategy are illustrated in Figure 6; market penetration and thus ridership increases can be higher with less lost revenue. Thus, market-segmented passes are placed northeast of the unlimited use or general pass program strategy in Figure 6. Combining the effects of all the improvements discussed above, it is likely that "fully enhanced" prepayment programs can be quite successful Area A strategies, as shown.

Some experience with special market passes can also be noted. Many transit agencies implement special summer youth passes. Eugene, Oregon; Monterey, California; and Allentown, Pennsylvania programs were reported. These programs typically promote deep fare discounts, merchant incentives, and summer youth attractions. The Eugene and Monterey programs were reported to be very successful. Eugene's 1984 "Totally Transit" program sold 5 times more passes than a summer youth pass program in 1983; 20 percent of the purchasers had never been bus riders before. In 1985, Monterey sold more than 600 passes, mostly to new riders. Although summer youth pass efforts in Allentown in both 1984 and 1985 were disappointing, a "Holiday Shopper's Pass" that offered unlimited off-peak rides in the 1984 Christmas season proved successful. An evaluation found significant ridership increases attributable to the Holiday Pass. New riders were attracted by it, and a minor revenue increase was concluded despite the low pass price of $5 for unlimited off-peak rides over a six-week period. If sales are strong and a significant share of purchasers are new to transit, it seems possible for a summer youth or holiday pass to be an Area A success. Minor positive revenue effects, but major positive ridership effects, may be the most optimistic result. Performance as Area B trade-offs is more likely, with both strong and weak performance possible as shown in Figure 6.
and atmosphere (the environment or supplemental attributes, such as cleanliness, schedules and maps, signs, logos, color scheme, and uniformed operators).

All of these elements are used in transit but their impacts have not been researched; the discussion here emphasizes methods that have been evaluated. In most cases these involve actions used often but not so regularly that they are considered essential to transit marketing. For example, there is no evidence of successful public relations, and the importance of friendly staff is undisputed. There is also little evidence of what type or level of user information aids work best. Yet, there is evidence on cost-effective uses of free rides and other incentives. Direct marketing lends itself to evaluation better than media advertising does, making evidence more available in that area. As this review stresses areas for which success or failure can at least be suggested, many sub-areas in the definition of promotion are not addressed.

Many successes involving incentives and direct marketing were reported in this study's survey. A wide range of private-sector involvement applications were also revealed within many of the different sub-areas of promotion. These areas have gained attention in transit promotion. The common element of these three most contemporary topics is that they involve methods to increase efficiency or effectiveness and/or reduce costs of transit promotion.

Overlap between the sub-areas of promotion discussed here is inevitable (e.g., many advertising strategies use incentives). The promotion area is best reviewed in sum rather than in its individual parts.

Advertising

Other than radio ads for the successful Detroit "Mall Crawler" described under Service: Product and Place above, this study found no evidence of successful media advertising, probably only because of the difficulty of gauging media effectiveness (e.g., through media recall studies). Arbitron ratings for radio or circulation data for print media can be used to target messages to desired audiences, but most cities have limited choices or alternatives for media advertising, although cable TV is now used in some areas. A cable TV program was cited as a successful transit marketing strategy in Columbus, Ohio. It was noted in a research study that use of television to promote pass sales in Cincinnati was not effective in relation to its expense.

A number of joint venture newspaper advertising programs were identified. In Alexandria, Virginia, a local bank sponsored a newspaper insert promoting transit. An experiment to sell newspapers on local bus service in Westchester County, New York, through which revenue was to be applied to transit advertising, proved a failure and was discontinued after six months. The county then purchased papers at wholesale rates and distributed them free on express buses with an equivalent value of transit ads appearing in the papers. This effort was considered successful, generating exposure at only the cost of an added attribute, the papers. A similar effort was launched in 1985 by Metropool, the Westchester vanpool service. Metropool purchased 500 papers for 30 days at a wholesale rate and gave them to vanpoolers. In trade, a total of 60 ads appeared in local papers; the value of the ads was three times the amount paid for the papers. After initial positive impact, the agreement was extended seven weeks to enable longer advertising than Metropool ever had done before. A very low cost per generated information query, image benefits, and the added incentive of free papers were cited as benefits.

Although media advertising is popular in transit, some surprising data from UMTA demonstrations in Sacramento, Cincinnati, and Los Angeles indicate the need for more targeted advertising. Surveys discovered that ridership turnover is much higher than expected (i.e., average ridership duration is low). As much as 40 percent of all riders are new each year. These findings support target marketing in particular as turnover was found to be stronger for riders with higher income and auto ownership, and for riders age 18–28. Although the average age of all riders is higher, turnover data support advertising on "pop" or "top 10" rather than "easy listening" radio stations, as younger markets are the primary source of new riders. This contrasts with advertising done by many transit agencies; advertising aimed at stimulating new riding is often keyed to markets similar to existing riders (e.g., middle-aged women), rather than to new rider characteristics. They are very different.

Although target marketing can be practiced with media, it is done more easily through direct-marketing methods such as mail or complimentary employer distributions. Cities with low transit modal split use employer distributions to target non-guides. Direct marketing uses market segmentation concepts to identify target markets and focus distribution of information, incentives, etc. Geography is often used; for example, residents within 1/4 mile of a suburban bus route. Other possible segmentations include fare class, level of awareness or interest in transit, current or potential trip frequency, fare category or more conventional factors such as auto ownership, age, income, and so on.

Other target-marketing methods use response mail, through which respondents to an offer can also complete a small survey enabling them to be characterized according to the segmentation strategy, with follow-up marketing done appropriate to the respondent's characteristics. Transit riders and non-riders can be stimulated (perhaps by a contest) to submit forms noting their trip frequency. As response marketing, non-riders must be sent free-ride tickets. Occasional riders can be sent pass discount coupons. Commuter-only riders might be sent free off-peak tickets. Current heavy riders might be sent nothing, tickets good for off-peak rides, or a non-price incentive designed to reinforce rider commitment. In the private sector, target marketing is becoming more refined, with computers assisting data management and identification of very specific market segments.

Choice between media or direct strategies depends on project objectives. The Southern California Rapid Transit District compared effectiveness of mail, door drops, and newspaper ads used in one promotion. Results here showed that newspaper ads were the least cost-effective. Media can be best used for image and general advertising, direct marketing is often most effective with detailed information, and importantly, the two alternatives can support each other.

Other reported examples of successful transit advertising efforts follow. Sarasota County Area Transit in Florida used "co-op mail" to offer free-ride passes and transit information to 10,000 households. The offer elicited a response in excess of 12 percent, much higher than the industry benchmark of 1 percent for direct mail. Project direct costs were about $1 per response, including 80 cents for each pass used. Significant riding gains were attributed to the effort.
COTA in Columbus, Ohio uses inexpensive “door drops” of information and incentives for both target markets and wider distributions. Depending on the promotion, distributions to a few blocks’ area of a bus route or area saturations are used. The distributions’ effectiveness was shown by COTA’s Teleride information system; following a drop, calls increased 400 percent.

Seattle Metro also distributes free-ride coupons and information on a route-by-route basis, targeting least productive routes. Tri-Met in Portland similarly distributes their Pass Plus merchant discount brochures to prompt pass sales.

Golden Gate Ridesharing in California relies on direct marketing. Their marketing evaluation report noted that by eliminating expensive TV, radio, and newspaper advertising and increasing direct mailings, twice as many commuters were reached at less than half the cost, and that responses increased by 30 percent. This is an improvement of over 500 percent in unit response cost.

Milwaukee County Transit markets new services and low-rider prices routes with direct mail. Free-rider coupons that are also contest entries are sent, and follow-up contact is made for evaluation (further described under Evaluation below). Assessment of one effort noted 15 percent of contest participants were new riders, and that a project benefit-to-cost ratio was approximately 2.6. Contest prizes were donated by a sponsor featured in the mailer.

Connecticut Transit in Hartford has in-house mailing capabilities for all residences within 500 feet of its routes. Address files obtained from the city and a micro-computer are used to produce labels. Schedules and free-rider coupons are sent and newspaper ads call attention to mailings. Riding grew 25 percent on a target route during a test, and telephone information calls also rose markedly. The marketing director noted on this study’s survey form, “General ‘shotgun’ advertising will no longer work for most transit systems. Special target campaigns to get ‘how to’ information into ‘good prospect’ users hands will be most cost-effective.”

A similar system was developed for Savannah Transit by Chatham County Metropolitan Planning Commission. Files of names and addresses for service area households and businesses were compiled to enable target-marketing efforts for specific neighborhoods and subdivisions, as well as commercial mailings.

Assistance from employers for complimentary distributions can also be secured. The Greater Bridgeport Transit District (GBTD) in Connecticut uses free merchant discount offers (see Incentives) for people requesting transit information. Personnel directors are happy to distribute attractive free offers to their employees, especially for store discounts that everyone wants as opposed to free-bus-ride offers of more limited appeal. Resulting good rapport often leads to further interest, and in some cases employer subsidies.

Other GBTD direct-marketing efforts include complimentary, low-cost, and co-op mailings of merchant discount or free-ride offers and mini questionnaires. A bank sponsoring GBTD’s free-ride day (see Incentives) sent 35,000 transit information request cards to depositors. Respondents with high potential for increased riding (e.g., adults indicating infrequent riding or employees at firms discounting fares) are sent special follow-up mailings of discount offers, employer subsidy information, etc. Names of all respondents, routes used, fare class, and other information are stored in a computer for later remarketing.

Names of people requesting information by phone are also routinely recorded. Another effort used radio station sponsorship to reduce costs of an otherwise too expensive solo-mailer to 52,000 households.

Orange County Transit in California also uses direct mail, offering free rides and “Trip Planners.” Follow-up surveys are also sent to determine customer satisfaction and gain useful information for the agency’s consumer data file. Availability of “First Time Rider Kits” is widely advertised by Sun Tran in Tucson, Arizona. Respondents, in effect, identify themselves as worthy of further marketing resources. The approach combines direct and media methods.

One direct-marketing effort was reported as a failure in this study’s survey. Montgomery County (Maryland) DOT reported dismal results for a distribution of free-ride coupons to 10,000 suburban homes; only 30 were used. The county had more satisfactory results from advertising in local newspapers in Christmas periods, crediting it for a 20 percent increase in information calls.

Another promotional method transit agencies often use is bus painting, which has also had private involvement applications and thereby merges promotion with revenue-generating advertising. South Bend, Indiana uses bus painting as paid advertising similar to interior and exterior signs, charging over $500 per bus. Toronto Transit Commission’s program charges $12,000 per bus per year. Bus painting in St. Louis was credited with yielding $20,000 per year. Charlottesville Transit in Virginia painted one bus to promote a local radio station and received $25,000 in free radio ads. This supported a service and information improvement effort resulting in a 15 percent ridership increase. A similar effort in Richmond, Virginia yielded $17,000 in free advertising. A contract option allowed the radio station to fund two weeks of free rides on the bus per quarter or pay $8,800 if the free rides were not offered. In Bridgeport, Connecticut, $20,000 was netted for painting four buses to resemble Wonder Bread packages. Support for promotions and charters using “Wonderbuses” for trips by Girl Scouts or other local groups is also provided.

It is impossible to portray effects of these advertising techniques on the trade-off evaluation matrix. As little sound evaluation data exist in the promotion area, indicating specific locations in the matrix would be very judgmental. In general, it is rare that advertising does not generate at least some new ridership and thus revenue, but by no means certain that advertising costs will be recouped from induced riders. If fare incentives are used, there is additional risk that revenue can be reduced if too many existing riders and too few new riders take advantage of the incentive. Joint venture advertising strategies that share costs have appeal because they require less response in order to have positive effect. In general, target advertising strategies are also favored from a cost-effectiveness perspective.

Publicity

Very little published information exists on publicity strategies for transit marketing, and no survey responses indicated press relations as an area of success. However, there were references to “newspaper and radio support” for marketing campaigns, specifically support for public/private cooperative programs. Private involvement in transit marketing can heighten interest.
of newspaper reporters and editors and lead to more publicity. Working with private sponsors in transit marketing communicates the value of transit to the community, and implicitly broadcasts endorsement of transit if the promotional partners are community leaders. Some transit agencies time news releases to slow news days or times of the year to get maximum publicity benefits. The state of knowledge on effective and ineffective uses of publicity in transit is very limited, however. Little more can be noted here other than to suggest the importance of good press relations to ensure that publicity is as positive as it can be.

Incentives

Use of incentives in transit marketing is increasing, and some comments on successful and less successful uses can be noted. Success involves questions such as when and what incentives to use, whom to stimulate or reward with incentives, and how to distribute them. Implicit in these questions are the objectives that incentives serve. Although there may be different objectives for using incentives in transit, such as to project positive image, gain publicity, maintain positive attitudes, or promote pass sales, the dominant objective framing the discussion below is that incentives should be used to draw new or sustain existing transit ridership. This focus provides a more "bottom line" framework for incentive use than may be appropriate for all agencies' motives for using incentives, but it is the most objective.

Transit has long used free rides as a promotion tool. Evaluations have been done recently of conventional and innovative applications of free rides, and other incentives have also been used. New uses of incentives have been spurred by private-sector involvement and direct marketing trends. Existing knowledge on various uses of incentives for transit promotion is summarized below.

UMTA demonstrations in the 1970s tested fare-free transit. Three cities studied free off-peak fares for periods up to nine months. It was found that riders were attracted to transit because of free fares and that some were retained after fares were reinstated, but that similar rider attraction would have resulted if fare-free policies were applied for significantly shorter periods of time. Area-wide off-peak free fares were found to be a costly way to attract riders, and in addition, their impact dissipated quickly.

On-board fare reduction is not a cost-effective promotion strategy, even if done for periods as short as one day or part of a day. Orange County Transit District in California reduced fares on the day after Thanksgiving in 1984. It was promoted as "Nine to Three Ride for Free." OCTD reported that an extra 10,000 rides were taken because of the free rides, 16 percent more than expected and 20 percent more than rode that day on the previous year. OCTD's objective for the promotion (to remind the community of transit at the start of the Christmas season) was served, but it is unlikely that the promotion had a recurring impact strong enough to offset the day's revenue loss. Research has concluded that on-board total market promotional fares not underwritten by private resources or other external sources cause revenue losses. Although it can have publicity or other benefits, at best it has trade-off impacts on ridership and revenue. As shown in Figure 7, the short-term revenue loss effects of fare reduction are not recovered by ridership growth.

Extensive research of fare elasticities has shown transit riders in aggregate to be insensitive to fares, but some segments of the market are relatively fare sensitive. The research concludes that fare policies are efficient when designed and targeted to market segments; this extends to promotional as well as basic fare policies. Targeting incentives improves cost-effectiveness. The key is to minimize revenue losses on existing riders while stimulating trial use by new riders or re-attraction of riders who stopped using transit. As noted in the section under Advertising, direct-marketing strategies use incentives very effectively; transit industry experience with these techniques is increasing. In Figure 7, targeted use of incentives is shown to be a successful strategy.

An example of an off-board fare incentive that proved quite expensive, while also yielding increased local awareness, was a 1984 distribution of free-ride "tokens" as soft drink bottle cap liners. The soft drink company contributed television, point-of-sale ads, "neck ringers," and carton-stuffers promoting transit. The "tokens" were honored with no compensation for free rides. A 2.5 percent return was expected over 6 months, but it actually was 6 percent, amounting to 89,000 rides. Ridership in the six-month period was 8 percent above a year before, but the net 2 percent increase could not be attributed to the promotion; lower unemployment over the previous year was also significant. From at least a theoretical point of view, the format of this promotion can be criticized; the primary behavior being stimulated by the incentive was the purchase of the soft drink; transit was a secondary beneficiary. For transit, the promotion may have been better if it had been reversed, with bus riders being rewarded with a soft drink coupon.

A more cost-effective mass distribution of free rides was done by New Jersey Transit to reintroduce rail service on the Morris and Essex Lines. Postcards offering free rides to Manhattan were mailed. To use the free ride card, a 10-question market research survey on its reverse had to be completed.

A strategy to improve the efficiency of fare promotions is private-sector sponsorship. CENTRO in Syracuse, New York, implemented "Ride the Bus on Us" programs on the day after Thanksgiving, started in 1982. Revenue loss was offset through a local bank's sponsorship. More than 100,000 rides were taken in 1982, a CENTRO record. The day generated extensive publicity for CENTRO and the sponsor, including a Presidential Award for Private Sector Initiatives.

A similar effort implemented by Greater Bridgeport Transit in Connecticut was "Transit Discovery Day," on Columbus Day 1983. It was cosponsored by a bank and radio station to support revenue loss as well as promotion costs. The bank gave $5250 for revenue loss and provided newspaper and mail advertising. The radio station provided more than $4000 of free advertising. GBTD paid about 35 percent of the promotion's expense. It yielded ridership 5 times above the Columbus Day level. Extensive efforts to distribute transit information were involved such as a complimentary mailing to the bank's 35,000 depositors. Higher ridership was observed for a period 4 weeks before to 8 weeks after the event. Impacts of sponsored free-ride days are shown in Figure 7.

Orange County Transit's "Discovery Transit Day" in May 1984 improved on the Bridgeport and Syracuse sponsored free-ride days. In place of free rides, riders boarding before noon received coupons good for a free hamburger, a $1.85 value. Fifty thousand coupons were distributed and the day had the eighth highest ridership of OCTD's history; had coupons been offered all day, a new ridership record might have been set. Revenue
Phoenix Transit in Arizona also offered food coupons on board in 1985. A four-week "Celebrate Sunset" promotion offered coupons to bus riders boarding after 6 p.m. This was done to promote new later transit service and to reduce peak-hour traffic. More than 50 restaurants donated more than 8000 coupons. The promotion was effective in drawing attention to the service and in attracting riders. Transit agencies in Norfolk and Newport News, Virginia have also staged "McFriday" promotions offering free fast food coupons on board.

Effects of sponsored and unsponsored free-fare days and free-food days are shown in Figure 7.

An example of a combined reduced fare and private incentive is the Monterey-Salinas Transit joint promotion with the County Fair. MST added bus service for the fair. The fair gave people with bus transfers 50 cents off fair admission and a free ticket for a bus trip home. MST also had free display space at the
fair. Ridership increased three percent following the promotion, and more than 2500 people received transit information at the fair display. This example also indicates that all cooperative sponsors need not be private interests. Toronto Transit Commission has ongoing joint advertising programs with community organizations such as the zoo and other non-profit groups.

Another type of on-board private incentive was the "Prize Ride" promotion at the Ann Arbor Transportation Authority in Michigan in 1982. For five Saturdays between Thanksgiving and Christmas, bus service was free and riders were given books of contest entry forms for depositing in boxes in 40 stores. Winners received store gift certificates. Ridership set records and AAT A gained extensive publicity and community support.

A similar promotion was held by Lynchburg Transit in Virginia to celebrate its 10th anniversary. Downtown and suburban merchants provided gift certificates for drawings. Eighty prizes valued over $3000 were offered, and 30,000 entry slip books were distributed on-board. Newspaper ads announced the promotion and included a free-ride coupon; 2,000 of these were used. The promotion was used three times to promote separate shopping areas. Riding increased in all three promotion periods, compared to the previous year.

A more elaborate approach to on-board private incentives was tested under an UMTA demonstration program in Spokane, Washington between 1981 and 1984. The "Mid-Day Rider Program" targeted merchant incentives to people riding the bus during off-peak hours as a reward for mid-day off-peak bus use. On boarding, riders received tickets from specially installed dispensers that could be redeemed at local stores. Merchant discount offers were listed in a brochure distributed by the transit agency; ultimately more than 200 stores participated. The program was popular with riders and was well received overall. It quickly expanded from its initial downtown focus to also include suburban areas, and to include weekend hours. There was no participation charge for merchants until the program's last phase; the program was discontinued when too few merchants chose to be involved on a fee basis.

Evaluation of the Mid-Day Rider Program found that about 7900 tickets were redeemed at stores each month and that off-peak riding increased by 5 to 12 percent, although the increase could not necessarily be tied to the program. The program's discontinuation may be attributable to very ambitious objectives—it should be self-supporting—and its basis as an UMTA demonstration.

The Mid-Day Rider Program was the forerunner for the Pass Plus Programs in Seattle, Washington and Portland, Oregon (see Price). These developed fare prepayment applications of Spokane's experience with merchant programs. Mid-Day Rider is different from Pass Plus in that it rewarded occasional and trial use of transit as opposed to committing to transit, as done when buying a pass through Pass Plus. To the extent that promotions are most effective when they reward new riders and avoid applying promotional resources on existing riders, the focus of the Mid-Day Rider Program may be superior to that of a program tied to pass use. However, they are different programs with different objectives. Pass Plus is designed to build rider commitment (i.e., reduce rider attrition or turnover) and promote pass purchases by riders who normally would not buy them. Occasionally, Portland's Pass Plus incentives are given to all riders on special "Pass Plus" Saturdays to promote trial use of transit by non-riders or additional ridership by low-frequency riders not buying passes.

Mid-Day Rider also prompted Bridgeport's Value Fare Program (see Fare Prepayment), which uses retail incentives to reward prepayment as well as non-rider interest in transit. Special Value Fare coupons are used as the mechanism for discounts. These are given to pass and token buyers as well as to people submitting information request forms that offer the merchant discount coupons as a reward.

Existing evidence is inadequate to suggest a best use of merchant incentives, from the options or alternative objectives discussed above. It is most likely that all objectives can be well served by them, and that the best approach is to use merchant incentives in a variety of ways.

In summary, assuming promotions should target new riders, the following suggestions can be made on use of incentives. On-board reduced fares are rarely cost-effective in building ridership. Targeting incentives through direct marketing or other off-board means can be efficient; careful targeting and low distribution costs are keys to success. Sponsoring free rides reduces costs of on-board reduced fares but may not be the most effective use of private support, as it inefficiently focuses marketing resources on existing riders. Creative uses of private resources enable different incentives such as contests, retail discounts, free-food offers, or others that may provide more real perceived value than free rides. As well as rewarding existing riders, these can have stronger appeal to non-riders, and can be used in promotions that directly increase revenue as well.

Personal Contact

There is not a great deal of evidence on successful personal contact projects in transit. Some related topics were discussed above. The importance of friendly operators and a customer service attitude by all staff is reflected by the Burlington, Vermont union incentive program (see Service: Product and Place). Adoption of the incentive program was based on findings of a market research study. Patron satisfaction with transit was found closely related to perception of driver behavior; patrons are very conscious of driver behavior and attitude. These findings underscore the importance of the personal contact of transit staff. Also, when asked how they heard about transit service, over 34 percent of new riders indicated that friends, relatives, or neighbors suggested using transit. Based on effects of the Burlington program, the incentive strategy may be considered a success: it raised both revenue and ridership, with a share of the revenue given to operators. The incentive plan is similar to the employee stock ownership plans innovation in airlines and other industries.

Less tangible efforts to the same ends as the employee incentive are internal promotions for building staff enthusiasm and congeniality. "We Take Pride in Your Ride" was the name of a 1984 effort of this type in Albany, New York. No evaluation of programs such as this has been reported.

The value of effective personal sales is indicated by the Des Moines, Iowa employer subsidy program. The Des Moines program is one of the best examples of employer subsidy; nearly 60 local firms subsidize fares and approximately 50 percent of Des Moines MTA ridership now enjoy employer discounts. It is notable for having been spurred by a retired executive who assisted Des Moines MTA as a volunteer. His contacts with local business leaders proved invaluable in gaining the support
of his personal community peers. It is an example of how successful personal sales can be.

An example of personalized contact comes from Monterey-Salinas Transit in California. "Commute Fact Sheets" are distributed to solicit travel information from local employees. MST staff then send a "Your Bus Commute" form to respondents of his business community peers. It is an example of how successful personal sales can be.

The telephone can also be used for direct contact marketing. Telemarketing experiments in Portland, Oregon found that 85 percent of people contacted accepted transit information and free-ride coupons, and that 90 percent of those using the coupons continued to ride the bus. Telemarketing can be combined with direct mail or other strategies that solicit rider information (see Advertising) with the most likely prospects phoned to offer special follow-up.

Another type of direct-contact program is the commonly used senior citizen and school outreach activity. Although there is no evidence of the effectiveness or value of these strategies, one program identified as a successful effort in this study's survey was the Syracuse, New York transit educational program for local schools. One notable aspect of this program is that it is sponsored by a local bank. Children's coloring books were printed by the bank, in exchange for recognition on the back of the book and in one of the pictures inside.

**Atmosphere**

The final element of transit promotion is atmosphere, a "catch-all" category for the general environment and "sense" absorbed when a transit consumer uses the service. Transit agencies have developed ambitious information programs involving new schedules, maps, signs, logos, color schemes, and so on, but there is little guidance on the best approach. Limited evaluation of user materials has indicated that system maps perform a primarily promotional purpose and thus should be designed for use by non-riders. Detailed route schedules are more important to existing users for navigational needs. Relative to annual expenditure, there has been little assessment of transit user materials, the value of color schemes, etc. This is not to say that image and other benefits are not important, but that they are unknown. The same comments can be made about attributes such as vehicle cleanliness or uniformed operators; their value is important but unclear.

**EVALUATION**

Evaluation is an essential element of transit marketing projects, but it is often neglected. Smaller agencies with limited marketing budgets face many constraints and often must make choices leading to limited use of marketing evaluation. This is ironic because even simple evaluation efforts can have major benefits in indicating marketing effectiveness, or the need for new strategies, for example. A lack of evaluation also reduces the validity of marketing efforts, making the marketing budget more difficult to justify or leaving the budget vulnerable to cuts. The role of evaluation in improving marketing practice and supporting the marketing function overall must be emphasized.

As noted in Chapter 1, only to a limited extent can transit agencies directly adapt marketing experiences of other cities. Local evaluation must guide assessment or application of new ideas, and thus evaluation methods must be presented as part of this report's synthesis of marketing experience. It is not the purpose here to summarize the literature or practice of marketing evaluation. Rather, a number of fairly simple evaluation methods revealed by the survey and discussions with marketing directors are briefly presented in order to indicate the role and value of evaluation. In some cases, these methods are simply a framework for clarifying and assessing the assumptions implicit in marketing projects; to focus project selection decisions on the likely or required impacts of the project. In other cases, simple evaluation efforts were applied to determine effects of free-ride offers or contests and establish the value of pilot marketing programs, which were then expanded and used more extensively without reevaluation of each application.

An attribute of many direct-contact marketing projects is that some partial evaluation measures are "built into" their application. For example, the number of mail-in offers, discount coupons, or clip-out free-ride tickets used from a particular promotion is itself a measure of the response generated. What any absolute number of responses indicate in terms of final impact of the promotion on ridership, revenues, or more focused concerns (such as new rides by previous non-riders) are more important and fine-grained issues that are usually not revealed quite so easily, however. In relation to media advertising, the impacts of which are more difficult to ascertain, even the interim measures of response to direct-contacting projects are useful.

An example of a marketing project designed with the evaluation function "built in" is a free-ride campaign used by New Jersey Transit (NJT), to reintroduce service on its renovated Morris and Essex commuter line to New York City. NJT distributed postcards good for free rides on the line via direct mail to households in Morris and Essex Counties. The card included an eight-question survey that had to be completed to receive the free ride. From responses shown on the cards, NJT was able to identify the areas most responsive to the promotion, the level of awareness of the service before the offer, sources of new awareness other than the free-ride offer (i.e., indications of the effectiveness of other NJT advertising), whether the user was a new or existing rider, and other information. Although NJT was satisfied with the response to the promotion, the more important point to make here is the ease with which the evaluation function was accomplished.

A similar example of a free-ride evaluation was done by the Greater Bridgeport Transit District (GBTID) in Connecticut. The promotion offered free rides, merchant discount coupons, and transit information by response mail. Cards with this offer were sent to 30,000 households and approximately 1200 were returned. Three months later, a follow-up survey was sent to the 1200 respondents probing for their reactions to the offers and the offers' effects on transit use. The evaluation showed that the entire project was cost-effective in that revenue generated from new riders exceeded the costs of the promotional offers. On this basis, more aggressive policies on use of free-ride incentives were adopted by GBTID.

Another variation is shown by evaluation methods used by Milwaukee County Transit System (MCTS). MCTS mails flyers describing specific routes, such as a new park and ride express service or an underutilized local route serving a suburban mall, to area households. The flyers include free-ride slips that require that the user's name, address, age, and phone number be filled.
When completed and used, the slips also become an entry blank for a contest with prizes such as merchant gift certificates or a free trip, which are donated by participating sponsors. From the returned slips, MCTS selects a sample of households to be called and given a short survey to gain more in-depth information on the attracted users. These questions include whether the users were existing riders, new transit riders, whether or not the new users continued to ride after their free trial and why, household characteristics, trip frequencies of the induced riders, and others. MCTS uses this information to calculate the revenue loss caused by the use of the incentive by existing riders, the revenue gain attributable to new riders attracted by the promotion, and the likely “riding duration” of the people attracted. Together, this information indicates the financial impact of the promotion and provides other information useful for targeting further marketing efforts.

Other agencies use general attitude and awareness studies to gauge the overall impact of marketing efforts. These studies are most useful when done on an annual or even more frequent basis, so that changes over time can be tracked.

Two examples of effective frameworks for marketing evaluation that are more sophisticated than commonly used in transit but still quite simple, come from Canadian transit operators, the Toronto Transit Commission (TTC) and Via Rail Canada (VIA), the intercity rail transit agency. TTC has developed a methodology for evaluating the benefits and likely effects of potential cooperative transit projects, such as advertising co-ventures with local businesses, community recreation activities, and sporting or other special events. The methodology is most helpful for identifying the level of sponsor participation required for making a co-venture attractive to TTC. It isolates the assumptions implicit in all marketing projects concerning the amount of new transit rides that will be generated in relation to the required newspaper advertising or other promotion costs. The TTC method establishes estimates and over time collects data to provide a quantitative basis for improved decision making. Each box shown in Figure 8 represents a share of the total market that might be influenced by a promotion. For example, the potential attendance at a sporting show was estimated to be between 180,000 and 200,000 people. Awareness of a possible
TTC joint venture promotion with the show's sponsors was estimated to be between 30 and 35 percent. Use of transit for similar events showed that about 50 percent of the attendees came by TTC services. Alternative estimates of the effectiveness of the ad campaign in inducing increased use of TTC and attendance at the event was estimated at between one and three percent. Each induced transit rider is assumed to pay two cash fares for trips to and from the event, yielding an induced revenue estimate. Similar assumptions and calculations continue through the process outlined in Figure 8 with the result being a measure of the induced rides and revenue resulting from the promotion (the shaded bottom boxes). As the process relies on assumptions, both high and low estimates are included. In the case of the sports show, the gross induced revenue (before advertising expense) was estimated to be between $1500 and $4000. Subtracting advertising costs, the promotions net impact was estimated at between $300 and $2800.

Although TTC's method is based on assumptions, a clear benefit of the approach is that it focuses consideration of potential marketing projects on a framework that requires the user to consider the actual sequence of decisions and actions that advertising must induce in order to be effective. While TTC continues to collect information to reduce the number and ranges of the assumptions used, additional information to replace the assumptions would only be a series of minor enhancements to the basic decision-aiding tool.

VIA has evaluated a number of its promotions through a framework that isolates the cost of attracting target market customers. The specific promotions used were a $5 discount coupon printed in newspapers, a short-term 40 percent fare reduction, a 60 percent discounted round-trip promotion, and a 50-percent-off sale for a number of specific trains. The evaluation process focused on the total eligible market, the proportion of promotion-related rides, number of rides induced, the revenue this represented, and the promotional expense. As each promotion entailed price reduction, all of the projects were deemed to have lost revenue, but the key or decision-making factor is the cost per stimulated passenger. For the four projects, the cost per stimulated passenger ranged from $34 to $337. If a goal is to implement promotions with minimum cost per stimulated passenger, this can be achieved with a high level of response, a low promotional cost, a combination of the two factors, or a very high response rate or low expenditure requirement so that one offsets the other. Again, the key concern here is not the findings on any particular promotion per se, but the application of a procedure for rationally and consistently evaluating projects and using these findings to guide design of potential projects.

In both the TTC and VIA procedures, there is little emphasis on the value of advertising in meeting longer-term marketing goals, such as image enhancement or general awareness. However, simple adjustments could be made to this end, as used in an enhanced version of the TTC procedure. For example, it might be assumed that 20 percent of advertising costs serve long-term or image-marketing goals, with the remaining 80 percent serving short-term or promotional objectives. In this case, only the 80 percent figure would be input as advertising costs in the short-term evaluation model.

The examples presented here are only a limited sample of evaluation strategies that might be used by local transit agencies. In general, evaluation can be simple and well worth the resources directed to it. Local transit agencies with very limited budgets or staffing for marketing evaluation might be well advised to engage local universities to assist marketing evaluation projects. In many cases, college business administration or marketing programs seek case-study material or practical settings and problems to which students can direct their energy. Transit agencies can take advantage of the academic expertise and student resources available to advance their marketing programs, and evaluation issues can be a very productive area to be addressed in this way.
CHAPTER THREE

SUMMARY AND CONCLUSIONS

The limited use of evaluation makes identifying transit marketing successes and failures difficult, but knowledge in the field can be summarized as shown in Table 2. Although not comprehensive, it is clear from Table 2 that there are many areas in which existing knowledge does not allow comment on the extent of success that has been experienced. The need for further evaluation is a primary observation to be taken from Table 2.

It is also apparent that in some cases the state of validated knowledge differs from the extent of use of some techniques by the industry. The extent of use is associated with the state of perceived knowledge of the techniques' effectiveness. In some cases the divergence between perceived and validated success reflects the lack of evaluation, such as with community education or student art displays, but in others, such as in the use of free-ride days or discounted passes, it reflects local use of methods that are not efficient in relation to the goals most often being pursued. Overall, studies of marketing experience in different cities is less valuable than local evaluation of transit marketing; there is no substitute for local agency investigation of the impacts of their own marketing efforts. The essential focus of marketing evaluation is to research market characteristics and define appropriate objectives, and measure success in meeting them. This is the area that needs increased attention most so that transit marketing practice can advance.

Another observation to be taken from Table 2 and Chapter 2 is that most transit marketing activity focuses on promotion. Promotion is purposely the last of marketing's "Four Ps"; marketing theory indicates that promotion can be ineffective if inadequate attention is paid to product, price, and place. In the past, the transit industry has not emphasized service and fare variations, with both service and fare policies being generally standard or inflexible. Yet, recent trends seem to favor introduction of new service variations, involving different types of paratransit, privately operated high-quality services, etc. Fare policies are also being revised as the industry refocuses on revenue maximization with peak/off-peak fares, distance-based fares, employer fare subsidies, reduced-fare permits, targeted subsidies to low-income riders, and other innovations becoming more common. Most of these improvements reflect use of market segmentation principles, which were also stressed above as a key to improved transit marketing. Because of this increased pace of innovation, there is reason to be optimistic on the future of transit marketing. Whether or not increased emphasis in transit will also fall on the vital market research and marketing evaluation issues cannot be foreseen.

Additional reasons for optimism come from other trends that transit marketing practice now displays.

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**TABLE 2**
SUMMARY EVALUATION OF SELECTED TRANSIT-MARKETING TECHNIQUES

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<td><strong>Promotion</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sponsor contests</td>
<td>some</td>
<td>++</td>
<td>none</td>
</tr>
<tr>
<td>Merchant discounts</td>
<td>new</td>
<td>now</td>
<td>none</td>
</tr>
<tr>
<td>Telephone info. service</td>
<td>wide</td>
<td>++</td>
<td>+</td>
</tr>
<tr>
<td>Teledrive</td>
<td>new</td>
<td>uncl.</td>
<td>+/-</td>
</tr>
<tr>
<td>Promotional items</td>
<td>wide</td>
<td>+</td>
<td>none</td>
</tr>
<tr>
<td>Anniversary promotions</td>
<td>wide</td>
<td>+++</td>
<td>+</td>
</tr>
<tr>
<td>Trip planners</td>
<td>new</td>
<td>+++</td>
<td>+</td>
</tr>
<tr>
<td>Direct-contact marketing</td>
<td>new</td>
<td>+++</td>
<td>+</td>
</tr>
<tr>
<td>Media advertising</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Newspaper</td>
<td>wide</td>
<td>++</td>
<td>+</td>
</tr>
<tr>
<td>Radio</td>
<td>wide</td>
<td>++</td>
<td>+</td>
</tr>
<tr>
<td>Outdoor</td>
<td>some</td>
<td>+</td>
<td>none</td>
</tr>
<tr>
<td>Television</td>
<td>some</td>
<td>++</td>
<td>+</td>
</tr>
<tr>
<td>Cable television</td>
<td>new</td>
<td>now</td>
<td>none</td>
</tr>
<tr>
<td>Community education</td>
<td>wide</td>
<td>+++</td>
<td>-</td>
</tr>
<tr>
<td>System maps</td>
<td>wide</td>
<td>+++</td>
<td>+/-</td>
</tr>
<tr>
<td>Newsletters</td>
<td>some</td>
<td>+</td>
<td>none</td>
</tr>
<tr>
<td>Student art displays</td>
<td>some</td>
<td>+</td>
<td>none</td>
</tr>
<tr>
<td>Bus meisters/mystery riders</td>
<td>some</td>
<td>+</td>
<td>none</td>
</tr>
</tbody>
</table>

*a* wide = very common; some = somewhat common; new = recent innovation

*b* +++ = very successful

++ = quite successful

+ = considered worthwhile

uncl. = unclear; contradictory opinions exist

new = too soon to identify dominant opinion

**c** +++ = positive evidence exists

++ = negative evidence exists

+- = conflicting evidence or opinion exists

none = no evidence exists
KEY FINDINGS: MAJOR TRENDS IN TRANSIT MARKETING

Increased Importance of Marketing and Consumerism

Review of the current general marketing literature indicates that an emphasis on marketing is increasingly important to successful businesses. A November 1983 Business Week article entitled “Marketing: The New Priority” stressed the increased importance of market research and that increasingly more emphasis is being placed on market segmentation and target-marketing strategies. The Business Week article characterized the American marketplace as very dynamic and indicated that businesses seeking either to maintain or increase market share face continued competition, which necessitates aggressive marketing. In transit, as its character as a “natural monopoly” has changed, its need for and emphasis on marketing has clearly increased. Maintaining demand is a problem, particularly at specific times of day. Whether or not public transit is as competitive as other industries is not an issue; the ever-increasing influence and emphasis of consumer concerns in other sectors has created higher standards or expectations that the transit industry must meet. More emphasis on consumerism by transit agencies is recommended; it may also develop as a result of increased competition presented by the growing role of privately operated transit services, the “break-up” of regional transit compacts, and other impacts of reduced federal funding for transit.

Inspiring employees to embrace the consumer-service mentality was identified as the top priority by an UMTA-commissioned advisory panel of transit and private-sector marketing experts in 1984. The unique revenue-sharing staff incentive program implemented by Crittenden County Transit Authority in Burlington, Vermont (see Chapter 2) stands out as a very attractive option for activating employees as extensions of the marketing department. Bus meisters, mystery riders, and other ways to manage and monitor staff performance and the overall system performance from the passengers’ point of view also stand out as methods worthy of further and broader attention.

Private-Sector Involvement

Another key trend influencing transit marketing is the growing involvement of the private sector in transit provision as well as promotion areas. Many of the most successful innovations reviewed above involve the private sector as a sponsor or promoter of transit service improvements (e.g., employer-supported vanpool or transit pass programs, merchant discount programs, and cooperative advertising). Private firms are also becoming more involved in the direct provision of transit services (e.g., shared-ride taxi, subscription bus, and other new and higher quality services). Although certainly no panacea, the involvement of the private sector may be a major impetus for improved transit performance. As shown above, private-sector-involvement strategies can span the entire range of even the broadest definition of marketing. There are private-sector-involvement applications for transit product, price, and promotion areas, and privately operated services tend to focus on distinct market segments more than conventional transit does. Private involvement, in many forms, may be a solution to at least some of the problems that a reduction of federal operating transit for transit is presenting. The growing attention given to private-sector strategies by transit marketing departments, as found in this study, is thus another cause for optimism.

One of the broadest yet most indirect examples of private-sector involvement shows particular potential for very meaningful improvement of the entire environment in which public transit is provided. This is the transportation management association (TMA) concept. TMAs involve groups of employers or other private interests organized for the purpose of adopting programs to improve local transportation. Experiences in Hartford, Connecticut and Denver, Colorado, and in many suburban settings in California, New Jersey, and elsewhere, indicate that if approached collectively and in a consensus-building fashion, employers are willing to commit to actions such as reducing the supply of “free” parking, increasing provision of subsidized transit passes, or increasing ridesharing promotion. Although developing a TMA may entail efforts broader than many transit marketing departments view as their domain, TMAs should be considered an important new dimension of transit marketing. They can yield fundamental improvement of transit’s competitive position and overall viability.

Another perspective supporting the importance of private involvement in transit marketing is its impact on the transit peak/ off-peak imbalance, which is perhaps the most fundamental problem of the transit industry. For example, employer-subsidized passes help build off-peak demand but avoid the excessive revenue losses that result from pass programs that do not include an employer-subsidy element. Merchant discounts; joint advertising with museums, zoos, and other off-peak destinations; and a variety of other off-peak promotional methods can also have major impacts on off-peak demand. Especially when coupled with new sources of peak-hour services, as now being provided by private operators, there is a clear potential for leveling peak/off-peak operating ratios and thereby increasing efficiency.

Another attribute of private sponsorship of marketing is that communicating a transit agency’s partnership with the private sector implies a message of community support, especially if promotional partners are community leaders. This message is not lost on voters, political leaders, and other non-riders whose support is increasingly important to transit. Also, yet another benefit of private involvement in promotion is that sponsored activities broadcast the agency’s interest in aggressive marketing, which stimulates new ideas and motivates potential sponsors to suggest these. Recognizing the continuing need to develop creative promotions and find new sponsors, this benefit—the marketing of transit marketing—is quite meaningful.

Table 3 lists possible applications of private-sector involvement in transit marketing. As noted above, private-sector support for transit marketing, although promising, is not a panacea. There are additional pitfalls that may result from cooperative endeavors, such as reduced management control, subordination of transit priorities to those of sponsors, or limited sponsor support. Generally, however, the new marketing opportunities or increased efficiency that results from sharing costs is very attractive.

Innovations: Market Segmentation, Direct Marketing, and Targeted Incentives

Increased use of market segmentation, direct marketing, computer applications to marketing, and targeted use of incentives
are other important trends in transit marketing apparent from this study's review. The ability to identify key market segments, such as groups of people displaying the characteristics of new riders, and focus marketing resources on these groups is very important to maximizing the effectiveness of marketing expenditures. As reviewed above, the transit industry has developed many new ways to target service, fare, and other innovations to specific market segments, and is also making increased use of target marketing in information and promotion campaigns. The latter are promising alternatives to the common but ineffective use of untargeted on-board fare reductions (free-ride and low-fare days, or heavily discounted transit passes) as promotional tools. Most applications of existing rider or on-board fare reduction have been shown to be inefficient uses of resources in relation to their ridership impact.

Another attractive approach to publicity and enhanced image revealed by this study is the free-food-coupon day implemented by Orange County Transit District and other agencies. These promotions actually generate significant revenue while giving a valuable incentive for transit use. The growing but still inconclusive experience of the industry with merchant discounts and contests for pass buyers, occasional riders, and new riders or as information-request premiums deserves more investigation and evaluation.

CONCLUSION

The transit industry has begun to change from emphasizing product marketing to focusing on consumer marketing. This study has found many promising new initiatives and a wealth of experience available to guide local agencies. Indeed, there is no shortage of ideas in transit marketing; the primary needs remain to devote additional resources to marketing, to build local capability for more effective marketing management, and specifically to increase the industry's use of evaluation methods.

REFERENCES

APPENDIX

SURVEY SENT TO 60 TRANSIT MARKETING MANAGERS IN JANUARY 1985

Agency Response Form - "Transit Marketing: Successes and Failures" - NCTRP

Name: __________________________ Title: __________________________

Agency: __________________________

Address: _________________________________________________________

City, State, Zip: __________________________ Tel. No.: ___________________

1a. Describe a successful marketing project of your agency (what, when, how, etc.) that might be a useful practical example for this report:

b. How do you know or why do you think it was a success?

2a. Describe an unsuccessful marketing project that others might learn from:

b. How do you know or why do you think it didn't succeed?

3. What are your primary problems or difficulties in the marketing area?

4. What suggestions or comments do you have for this study?

☐ Check here if you would not want your agency identified in the report. Feel free to elaborate on reverse or enclose any additional information.

PLEASE MAIL (by 2-15-85) TO: R.L. Oram, Transit Innovations, 56 W. 82nd St., New York, N.Y. 10024, or telephone 212-496-9763. Thank you very much!