

## USING MARKET RESEARCH TO IMPROVE TRANSIT MANAGEMENT AND SERVICE DECISIONS

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Improving management and service decisions in the transit industry requires consideration of new, innovative approaches to management and service delivery. One important strategy relates to the ultimate goal of transit service. That is, meeting the needs of the travel market, both current and future. While market research is being carried out by many transit agencies, a fundamental question facing the industry is whether these efforts have actually achieved the best results in terms of meeting management and service planning needs.

This session includes two major components. The first is a presentation of major findings from TCRP project B-2, a comprehensive examination of market research efforts by transit systems in North America. The presentation focuses on approaches and methodologies relating to market research and current barriers to making research more effective in supporting decision-making.

Following this presentation, three case studies present the actual application of market research efforts to service and management decisions:

*Route Planning in Houston, Texas:* Market research helped Houston Metro determine travel needs and attitudes of employees at the Texas Medical Center, a major activity center.

*Comprehensive Transit Planning in Whatcom County, Washington:* Market research results were integrated into the Public Transportation Plan and several service changes of the Whatcom Transportation Authority.

*Customer Loyalty in Minneapolis, Minnesota:* The relationship between transit agencies and customers is presented with emphasis placed on building and maintaining customer loyalty.

## USING MARKET RESEARCH TO MANAGE CHANGE

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TCRP Project B-2 is designed to help transit managers better understand market research, its uses, and its application to transit decision-making. The project's objectives include:

- identifying the market research activity in transit today;
- determining the extent to which market and customer research is being integrated into transit decision-making; and
- presenting market research strategies from both the public and private sectors that are appropriate for decision-making in transit.

Project research activities included:

- administering a survey of over 400 individuals from over 200 transit properties;
- conducting in-depth case studies on five agencies that use market research in unique ways; and
- hosting a workshop to discuss market research activities in transit.

## Who in Transit Does Market Research?

About 80 percent of transit agencies do some kind of research. Seventy-two percent are doing primary research; that is, they are collecting information directly from their customers. Twenty percent of the agencies who responded seem to be operating in some kind of vacuum where they do not get research information from their customers, their metropolitan planning organizations or their departments of transportation.

### Nature of Market and Customer Research

Most of the agencies are conducting research to assess the quality of their service. Market and customer research that provides the information needed for service planning and developing new products or services is being done less often. Very few transit agencies do market segmentation research. By contrast, 98 percent of private sector firms do market segmentation research. This means most transit agencies do not know their market segments and are developing products or services without knowing what the market wants. Finally, only 14 percent of the agencies say they use any market research to make public policy decisions.

### Methodology for Market and Customer Research

Not surprisingly, on-board surveying is the research mode of choice for most transit agencies. This is a very cost-effective manner of gathering information quickly and efficiently. However, on-board surveys risk continuing the tradition of talking only to riders. This misses the whole other mass of people out who are not riding. Telephone surveys are also widely used. These often capture non-rider respondents. However, telephone surveys typically are conducted once every two or three years and are viewed as special projects. Little use is made of focus groups, despite their value in capturing in-depth information as to why people think the way they do, what motivates their behavior, and getting their reactions to new ideas.

### Market Research Users

Only 56 percent of the agencies say they are using market research in strategic planning and service planning. And despite important funding issues, only 38 percent of the agencies do any kind of fare policy research at this point in time.

While most agencies believe that market and customer research is useful and that it can lend some value to decision-making, they also report that they are not finding their current efforts at market and customer research particularly usable. This implies that market researchers may be providing transit agencies a large amount of information that the agencies have been unable to use.

### The Limited Success Of Market Research Efforts

In general, past research efforts have been successful. Only 14 percent of the agencies said their past efforts were not successful. However, the fact that only 36 percent of the agencies that have conducted market research said that their last effort was very successful is an issue.

Market research should be always a successful endeavor. Nobody should ever say it is not successful, and few people should say it is only moderately successful.

Barriers to greater success include:

*A Lack of Understanding:* Most people fail to grasp the essential purpose of market and customer research. They view it largely as something done for marketing, not for service planning and not for service or product development. Furthermore, they do not understand what different types of research can do. Moreover, they fail to understand how it relates to their needs. Nor do they perceive market and customer research as a risk reduction strategy. As a result, they see it in a very limited focus.

They do not see a need for market and customer research. That is, they don't understand what it is going to do for them, personally, in their day to day business decision-making. They don't see the link between information, risk reduction, and decision-making.

*Infrequent and Sporadic Use:* Transit agencies use market and customer research for decision-making very infrequently. In the private sector, decision makers often say, "I have a decision. Information can reduce the risk in making that decision. Can market research give me that kind of information?" This is an ongoing thought process in the private sector that one does not often see in public transit.

### The Need For Market Research

Why should transit agencies conduct market and customer research? The reasons are several:

*The Market is Changing:* The market for public transportation services is characterized by a growing number of stakeholders. Ridership retention is important, but transit must also focus on customer acquisition. It should not be an either/or type decision, but rather an on-going, connected process.

*Broader Public Support is Required:* Transit must learn why people have stopped riding. It needs to look at non-riders. It needs to look at the public that votes to support public transportation. And it needs to look increasingly at businesses, chambers of commerce, retailers, and people from whom it will need to provide support to public transportation in the future. Transit must know as much about these stakeholders as it does about those people who actually use public transportation services.

*Time is Short (and Getting Shorter):* The time available for decision-making is increasingly short. In the private sector they say you have about six weeks to gather information and make a decision. In transit, you may still have three months or even six months. However, the time that most people have to make a decision to introduce and launch a product has shortened significantly in all industries.

*It Aids in Decision-making:* Market research simply improves the quality of your decision-making. It helps to choose between alternatives. If done correctly, it can reduce the risk of selecting the wrong or bad alternative. That is, it reveals what not to do. Even more importantly, it also helps to identify what potentially may be the best solution. This is a real subtle aspect of market research that a lot of decision-makers do not understand. Market research does not make decision-making completely risk free, but it does winnow down the inherent risk. It brings a problem and potential solutions down to a potentially more manageable thing.

*It Helps Managers See Tomorrow Today:* Market research can help transit decision-makers understand the marketplace of tomorrow. It looks beyond how a service is doing today for its current market, to what the market needs are going to be six months from now, a year from now, three years from now. This leads to a proactive position. Knowing this will affect service planning and the development of new products and services to meet these changing needs.

*It Helps Managers Learn from Mistakes:* Market research can find out what went wrong. This does not mean market research serves a report-card function. Rather, by constantly evaluating and monitoring the marketplace, it leads decision-makers toward continually focusing ahead to see where the marketplace is going. So, by finding out what went wrong, it tells where to go in the next year and beyond.

### **Barriers To Transit Market Research**

There is a significant need to integrate this research into transit management. However, major organizational barriers remain that restrict the full use of market research in decision-making. First, top management commitment required for the on-going use of market research is often lacking. Second, the methodologies currently used, such as on-board and other surveys of only current riders, raise questions regarding reliability and validity and offer limited usefulness to the organization. Other aspects of technical quality that restrict the use of market research are how the research is designed, the types of measures obtained, the way in which the data is analyzed, and how it is all presented.

A third barrier is the degree of trust decision-makers have in the research process and in those conducting the research. For example, there is a wariness to share information. Consultants often encounter barriers in getting the information they need to conduct their research. And, internally, departments or divisions may likewise be hesitant to share information with the agency's research function, or with each other.

Finally, the organizational structure and culture of many transit agencies represent barriers to using marketing research. Many transit agencies simply are not structured in a way that is conducive to an effective use of market research information for developing strategies and working in ways that share and absorb information. This is potentially the most difficult area to address, because transit agencies are generally organized to be operationally effective and efficient.

### **Summary: Getting From Here To There**

Agencies successful in market research share these attributes:

*Management Support:* Again, top management must offer its support. One way to get this support is to have demonstrable success of past research efforts. If a manager can come in and can say, "You know, we did research and got this information; we made this decision and, look, our decision was better because of the research," top management will start to believe.

*Quality Research:* It is important to focus on appropriate, quality research. Not just on-board surveys. Not just telephone surveys. Not just focus groups. Identify the need and understand what each type of information different methodologies and each type of design.

*Involving the Right Players from the Start:* One way to insure quality research is to get the research function involved early on. Often, a transit manager will design an entire research project before involving the actual researchers. When this happens, the researchers -- be they internal or external -- lose the necessary synergy and the ability to provide some objectivity in using research to help solve a given problem. The lesson is: Involve the research function as early as possible in the decision process. Make them part of the team.

*Commitment of Resources:* High-quality research costs money. If you spend less, you invariably get less. Transit managers must realize that, even in today's cost-cutting environment, market research is money well spent. In fact, it often yields information that can help lower costs.

*Flexibility of Research:* Finally, to get all of this to happen, transit has to be innovative and flexible. Managers and researchers have to understand what is happening in their environment and when market research or a particular method is appropriate and when it is not appropriate.

## Conclusions

Transit faces major challenges. To meet these challenges and succeed in the years to come, transit managers should focus on:

*Retaining Current Riders:* Transit agencies should focus on ridership retention. It is very expensive to replace lost riders. Transit cannot expect to keep customers forever, but it can and should focus on retaining people for a long period of time. Ridership acquisition is important, too, but in some ways it is actually easier to achieve.

*Adopting a Customer Focus:* Transit must adopt a market orientation and have a customer focus. Many transit agencies have implemented customer service initiatives and taken a customer focus. But they should take it one step further and recognize that they are operating in a broader environment than simply providing transit services. They are in the mobility market and that means that they are competing. To succeed in this larger, competitive reality, transit agencies must use market intelligence. This includes not only market research, but, in fact, all information.

*Integrating Market Research throughout the Agency:* Finally, transit agencies must develop an integrated market research effort. Agencies need not do research for everything or all the time. But they should think about market research in problem-solving and strategic planning and have a familiar and tested program that is integrated into their organizational and functional structure.

## MARKET RESEARCH AND SERVICE PLANNING

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Like many transit agencies, Houston Metro traditionally uses market research for evaluating advertising effectiveness, rounding out marketing campaigns, etc. More recently, we've started using market research more for the design of transit services — that is, deciding what we are going to put on the street.

We have begun supplementing traditional transit planning tools with market research, both quantitative and qualitative research. We recently added focus groups to our research mix. With them, we can bring in potential users of a service, lay out what we are thinking about, and get a lot of depth and feedback not normally available with a survey instrument.

### Case Study: Texas Medical Center

The Texas Medical Center (TMC) is a major activity center for Metro, employing about 50,000 Houston residents, and is second only to our central business district in terms of employment and activity. In fact, it is one of the largest health care centers in the world.