

Marketing Where Riders Live

In our marketing efforts we concentrated on four ZIP codes as our target market, based on proximity to where the service initiated. Looking at the on-board survey data, we were surprised to discover that almost 50 percent of our customers come from outside our target market area. In planning another ridership building effort, this finding told us that we need to expand our definition of the market area.

Summary and Conclusions

To summarize, we have used market research in probably 10 to 12 service development cases in the past couple of years. It has been a very useful tool for defining the market very narrowly, yet accurately. With market research we collect current data, not years-old like most census data.

The primary advantage of using market research for service decisions is the ability to test a service or concepts before putting the service on the street and potentially making a six-figure or larger monetary mistake.

**EARNING CUSTOMER LOYALTY:
RESEARCH, INCENTIVES, SATISFACTION**

Debra Alexander

Arends and Samhoud Marketing Services

Chicago, IL

Many public transportation professionals believe that they do not operate in a competitive marketplace. The fact is, we do operate in a competitive marketplace. The automobile manufacturers have recognized us as a competitor (recall the recent "tear up your bus pass" ad campaign), and we should recognize them as a competitor.

Of course, transit cannot hope to compete with the auto industry in advertising. But this is not the place where competition begins. Competition begins with consideration. Transit competes against all modes of transportation, and it begins when people think about, "I want to move from point A to point B. How should I make that trip?" That consideration is when competition begins, and that is where we need to focus our attention. If we gain confidence at the consumer level, that will increase ridership.

One Small System's Use Of Research

In Lansing, Michigan, non-rider research told us that people did not know there was a bus near their home or work area. And research of riders told us that the bus did not go where they wanted it to go or when they wanted it to go there. To clarify this, we conducted more in-depth research and found out that people wanted Sunday service. Lansing had six-day service, but a very large percentage of the population wanted Sunday service.

Operationally, this service improvement would be neither very difficult nor very costly. We went back to the research and identified the routes on which respondents requested Sunday service. Then we offered these riders a month of free Sunday riding. There are normally only four Sundays in a month, so it was only four days of lost fares. But to the customer, a month of free riding sounded fabulous.

We also marketed these routes. We used mail carrier route marketing rather than ZIP code level marketing. We purchased mailing lists within a quarter of a mile on either side of a given bus route and sent those addresses a package telling them about the new service available in their community. Within one month, this service was among the most productive services that Lansing carried.

Market Research In Minneapolis

The Metropolitan Council of Transit Operations (MTCO) in Minneapolis had not done market research for a number of years. When marketing research was used, the agency conducted traditional kind of research focused on determining from the public how the transit agency had been doing. It was doing fairly well; in fact, 80 percent of the people thought we were either very good or good. The reaction inside the organization was, "We are very good."

Still, having 80 percent satisfaction level was, to me, not acceptable. This was only a picture of the customers' perception today. It is not a picture of what the customers would like in the future or how long they will stay with us. I said, "Is that good enough? No." We did another on-board survey and another non-rider survey.

Public Perceptions: The non-rider survey revealed that we would never be able to sell any kind of local tax measure to the voters. It would not win; only about 30 percent to 40 percent of the people would have supported some kind of voted tax increase, be it sales tax or property tax, to support public transportation. The Minneapolis system does not have a dedicated source of state funding, so the low public support for a potential tax measure for transit was a critical finding.

Rider Satisfaction: From our on-board survey, we found that those customers who had been riding us the longest and the most frequently were the least satisfied. This survey revealed that we were not doing very well in satisfying our customers and establishing a loyal ridership base.

Minneapolis also participated in a nationwide demonstration project conducted by J.D. Power and Associates to develop a national customer service index (CSI). From this work, we learned that a large percentage of our customers were "satisfied" or "very satisfied." However, when asked, "Will you ride again?" the percentage of "satisfied" riders responding "yes" drops dramatically. Even the percentage of "very satisfied" riders drops about 10 percent. If you ask those same two groups, "Will you recommend us in the future?," they drop again, very dramatically. That is bad news for an agency's customer referral base, one of its best selling tools. We determined that we should focus on those customers who are somewhat satisfied and very satisfied.

Using the Research

We asked, "What do we need to do?" And we looked at the private sector for the solution. We decided to test frequency and loyalty programs similar to those used for years by the airline industry. We asked riders of six selected routes to sign up and give us their names and addresses. At the end of the month, if the customer sent his or her payment tool — a monthly pass or a ten-ride punch card — we would send him or her a reward booklet.

We had seventeen partners involved in the reward booklet, offering coupons for venues or restaurants, etc. in the local area. It was a significant package. We had about 30 percent of our customers participate. We found that riders thought this program was important because we were finally talking to them. Participants also indicated that the reward program did not entice them to ride more frequently.

Again, we were striving for both frequency-building and loyalty-building. Seventy percent of the riders in Minneapolis already rode five days a week or more. So, we had a very small percentage of the market that could ride more frequently, but a very large percentage of the market from which we needed to gain loyalty. The first challenge was to test whether or not frequency could actually be gained. We had decided that one of the coupons should be a free ride coupon on our system. This coupon actually became the number one requested incentive. Our customers told us that they did not need all the other benefits from our partners. All they wanted was a discount on our product.

Under the airlines frequent flyer program model, when you use an airline, you are rewarded, and you come back and use it again. We decided to roll out a very large program in the following phases:

Phase 1 - Establish Database: We told our customers, "If you'll send us your monthly passes, we'll give you a five percent discount." We then put the customer on the database and sent back a coupon worth five percent of the cost of the monthly pass.

Phase 2 - Rider-Get-a-Rider: The next phase was to encourage riders to introduce a new rider onto the system. We offered incentives to both the "old" and new riders.

Phase 3 - Frequency Program: The third phase was to reward riders for frequently using the system. This depended on fare collection/database technology Minneapolis is hoping to introduce in 1996. Each rider would receive a number on a magnetically striped card. When riders swiped the card through the farebox reader, it identifies the rider and records your ride on your route. This is linked into the database system to track behavior and give riders rewards for their frequency. This is the dream of the not-too-distant future.

Earning Loyalty - A Team Effort

Achieving customer loyalty takes buy-in from everyone, not just the marketing team. The database puts customers at your fingertips. If the planning team is now going to change a route, it could go to the database, pull up the names of all the people that ride that route, call them in for a focus group or send them a letter saying, "We're having some problems with

your route. We'd like to talk to you." You could send them a survey. You can have focused, direct contact with them.

If, for example, a bus route is temporarily detoured, the agency no longer has to send out rider alerts and place them on every seat. Instead, it can simply call up the database for that route, send those customers a letter, personalized to them, saying, "Sam, we appreciate the fact that you're riding. Now, for the next few weeks your bus is going to be detoured. Sorry for the inconvenience. Let us know if there is anything we can do to help." You have established a relationship, a two-way conversation with your customers, that will help develop loyalty.

Summary

We must look toward the future and develop a mutually agreed upon relationship or definition between our customers and ourselves regarding service quality in the future. Until we have an agreed upon definition, we cannot know whether or not we are meeting the expectations of the customer.

We must also identify customer expectations. We have been fairly content in the public transportation industry to not look at what the customer expects. We think we know what they want. Once we have customer-defined expectations, we put them up against their perception of current service quality. With these expectations and our service statistics, we can develop a real focus for the transit agency.

There is one other element. Focus can only be achieved if there is a cultural change within a transit agency. All employees must understand their role in meeting customer satisfaction. In Minneapolis the agency lays out operational statistics against the customer expectation. Every month the results are publicized. What we are doing, how close we are to meeting customers perceptions. The Customer Satisfaction Index makes all employees aware of their role, their contribution in overall customer satisfaction. Listen to the customers, learn what they want, make changes in procedures, in policies and in processes that prevent you from meeting the customers' expectations.

By doing these things, the agency will be in a position to look five years down the road and say that this is what the customer of the future is going to want and we will be there before they know they want to get there. We will meet and exceed those expectations and lead the customers down the path instead of always transit being led down the path.

BIG RESEARCH AT A SMALL AGENCY

Rick Gordon

*Whatcom Transportation Authority
Bellingham, WA*

This case study is intended to demonstrate that market research is important and achievable even in small transit systems. The small transit system is the Whatcom Transportation Authority (WTA). The WTA operates in Whatcom County, located northwest Washington near the U.S.-Canadian border. The WTA provides fixed-route service for the general public and specialized transportation service for the elderly and disabled. We're beginning to develop dial-a-ride programs for the general public and are in the process of starting a carpool/vanpool program. The WTA operates 26 bus routes using 27 peak-hour vehicles as well as a specialized transportation program using 26 peak-hour paratransit-type coaches.

Whatcom County has approximately 148,000 people. The city of Bellingham is the primary city in the area with a population of 55,000. Western Washington University, with 10,000 students and 2,000 staff and faculty, is our major trip generator.

The conditions we face in Whatcom County are as follows: there are no parking problems, except for Western Washington University and maybe some downtown areas. Seventy-four percent of the respondents to our market research said their employer or school provided either reduced or free parking. There are few problems with traffic congestion. Congestion in Bellingham lasts for about 15 minutes on major corridors. The air quality is great. The average commute distance is 9.1 miles. The perceived cost of operating an automobile is very low.

No parking problems. No traffic problems. No air pollution problems. For the WTA this means a one and one-half percent share of trips taken in Whatcom County. Still, there are a lot of opportunities to increase market share.