

## **Public Transportation Marketing and Fare Policy**

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The Committee on Public Transportation Marketing and Fare Policy has actively encouraged research into new marketing and market research techniques, innovative fare payment methods, and fare policy components. This paper reflects a general sense of the committee regarding developments in the new millennium. Some may be fanciful, others very close to fruition; all can stimulate thought, discussion, and new research to address what is possible and desirable.

There are many inherent difficulties in predicting the future of public transportation given the rate of technological and societal change in the last century and the increasing changes that are likely to come. To estimate the future of public transportation, we have to first estimate the degree to which the conditions that allow public transportation to exist will continue. What are the assumptions upon which public transportation systems are based?

1. People will want or need to go places that they cannot reach by walking, biking, or other non-public transportation devices within their reach.
2. People will want or need to make regular trips, in large enough numbers, to common destinations to which public transportation can efficiently deliver service.
3. People will want or need to leave the security of their home or housing complex to do the things that currently create the greatest travel demand: go to work, go to school, or transport a commercial product.
4. People will live in communities with a density high enough to support public transportation equipment, routes, and facilities.

There is an increased awareness that all transit riders are not alike and that different means must be used to reach riders. We have commuters, members of the middle class who are more likely to use premium services such as rail and express bus. We have those dependent on transit, often the core ridership group of urban bus service, whose opportunities to move up the economic ladder are directly tied to the mobility offered by public transportation. And we have the great in-between group, those who choose to use transit for selected trips because a combination of parking availability, parking cost, traffic congestion, employer subsidies, and environmental issues outweighs the greater convenience offered by the automobile. Marketing efforts targeted toward each group are obviously different, yet all invoke a sense of the “value” of public transportation. Some of the key value components that marketing must address include

- Convenience,
- Comfort,
- A sense of making the “smart” choice (especially for commuters),
- Affordability,
- Extensive mobility for transit-dependent riders,
- A combination of economics and the negative aspects of automobile travel for those who opt for transit, and
- Reliability and dependability for all groups.

Just as mode, fare, and level of service differentiate transit services, marketing efforts to attract and hold ridership are and will be increasingly tailored to the target groups.

Who are the target groups? This is where market research comes in. Transit has been late to this game, but many forward-thinking agencies are now attempting to identify specific groups of transit riders (and potential riders) through market research. The next step may be to assess management response to market research findings. As one example, the Chicago Transit Authority (CTA) has reported on the process its management went through to respond to results of a customer satisfaction survey and on the effect those plans had on the satisfaction and loyalty of CTA riders. What we will see in the future is a marriage of creative market research techniques developed by and large outside of the transit field. Innovation will continue within the transit industry to respond to findings by instituting new service hybrids and better ways of delivering traditional services (possibly through technological advances).

Customer loyalty is a key goal of marketing and market research efforts in nearly all industries. It has long been recognized that it is easier to retain existing customers by meeting their needs at a reasonable price than it is to attract new customers. Given the advantages of the principal competing mode, this is even truer in transit. Smaller municipal transit services are often a source of pride to local residents, especially when compared with larger, more impersonal regional transit. Market research that identifies service improvements that can then be marketed as responding to customer concerns can help transit agencies build “brand loyalty.” Tied to this is the emerging understanding that the transit-dependent market itself has significant turnover as individuals and families move up (or down) the economic ladder. Loyalty may not be sufficient to prevent the purchase of an automobile, but it may induce continued use of transit for certain types of trips or at certain times of day.

In the short term we can expect to see huge increases in the amount of transit travel data available to transportation planners and the public. With smart cards, palm chips, and other travel technology producing better and easier-to-use travel information, we can expect the dialogue about the use of that information, especially an individual’s travel data, to heat up as concerns about personal privacy grow. Lawyers in a New York City divorce case have subpoenaed E-Z Pass usage records on toll bridges to identify places and times of travel.

How does transit relate to the wider community? The United States appears to be behind many other developed countries in making progress on sustainability, likely to be a key issue in the 21st century. The transit industry has an important role to play in increasing the sustainability of our cities, and the industry might benefit from association with a sustainability movement, as well as from helping to promote it. We need to find ways in which transit marketing can promote the concept in general and to research specific marketing approaches at the local level.

On a national level, the American Public Transit Association has been considering the development of a national marketing campaign for transit. If such a campaign is worthwhile, adding the issue of sustainability to the campaign appears to be worthwhile. Market research might be undertaken to determine how best to incorporate the concept of sustainability into a national campaign for transit. How do we explain the concept of sustainability? How do we convey the effect of transit on land use?

On a regional level, transit agencies could become more involved with local sustainability efforts by participating with environmental or governmental groups concerned with sustainability and by engaging in a number of actions and marketing efforts that support sustainability by making urban areas more livable. The following actions and marketing approaches appear beneficial to sustainability and to transit's image:

1. Neighborhood- and ethnic-based marketing campaigns to introduce transit services: The effectiveness of such campaigns can be seen in New Jersey Transit's marketing to ethnic neighborhoods and in the program by Community Transit to develop marketing materials in foreign languages. Research is needed to produce a report on what is being done by transit agencies to market transit services at the neighborhood level. Such research would provide detail on how agencies communicate at the neighborhood level and how they differentiate marketing campaigns for different neighborhoods. It would compare the results of such targeted campaigns with general-purpose marketing campaigns to show the cost-effectiveness of the more targeted approach. It would also produce a "how-to" workbook showing examples of targeted marketing campaigns.

2. Promotion of alternative modes that are synergistic to transit: Market research is needed to examine the synergistic effects of walking and biking (and perhaps the use of station cars in the future) on transit ridership and image. Reports from agencies such as that in Rochester, New York, indicate that adding bicycle racks to service provides a great public relations boost for transit. Past research (*TCRP Report 22* and the B-10 project) also helps to document the value of passenger amenities on passengers' perception of and use of transit.

3. Use of clean fuels: Research is needed to determine the public reaction to transit using clean vehicles. How does this affect overall opinion of transit? How does this affect transit ridership?

4. Transit safety: Along with the decline in crime rates in U.S. cities, there have been some remarkable improvements in crime rates on transit systems. In New York City, the efforts to eliminate graffiti and reduce fare evasion also led to a plummeting of the crime rate on the transit system. There are probably many newer stories that should be researched and publicized.

Before looking at the future technological changes to transit, we should consider whether transit as we know it will still exist in the 22nd century.

This seems a wry comment, yet we still do not understand all the implications of the emerging computer society for transportation and travel. Could e-commerce and e-technology allow a large percentage of American workers to work at home, in full view of their supervisors via a live web link?

The recent commercial of a man at a vacant lot in the middle of nowhere with only a lonely highway to connect him to the airport but with a business made possible via the Internet reminds us that the potential effect of current and emerging technology on population density is not really understood.

Will commuting disappear? It is unlikely that this will happen, but the nature of commuting will certainly change over the next decades. The industry will change as well. How long will it be before we have completely driverless buses and trains? Will it be so long before all vehicles including automobiles are equipped with short-range Doppler radar and driving and all routing decisions are handled by the vehicle's computer systems? If we always envision human operators, will they actually be operating only one vehicle, or will they operate several through links to a central simulator?

These things seem like science fiction, yet just last night a television show featured Ford's experiments with Doppler radar to prevent a car from changing lanes when a vehicle is in its blind spot and from following too closely for the speed at which it is traveling.

One certainty in the new millennium is that transit customers will still have to pay for their trips, although exactly how they will do so is open to speculation. Several researchers have held that technology should not drive fare policy, but the effects of technological changes on fare policy decisions are inescapable and are likely to increase the range of options geometrically. Smart cards have engaged our interest and may offer a simple way to implement a distance-based or time-based (peak/off-peak) fare structure. Frequent rider rewards can be built into the fare structure, allowing the benefits of a monthly pass while adhering to the principles of a deep-discount fare policy. The ability of a widely used smart card to offer cross-promotional marketing opportunities will produce new private-sector partners for transit. The first mall to offer discounts on all purchases for those who arrive via transit will successfully solve its holiday parking and congestion problems, giving it a tangible advantage over its competitors.

Easier fare payment may well be a great boon to transit as impulse riding when the service happens to be there grows. As we become more sophisticated about what riders want and work at meeting the needs of submarkets, we can expect growth in new and unusual markets that were not easily captured by transit. New technology may well allow us to understand and track these markets far better than ever before.

As buses and trains become smarter, real-time passenger loading data might someday allow transit agencies to issue fare specials on the basis of excess capacity. We can envision getting a flash in the future on a wristwatch e-mail unit: "Special for riders of Route 49X! For the next 90 minutes your Route 49X bus fare is only \$x.xx. Do you need to go to (last destination on Route 49X) right now?" If that watch includes a global positioning system transponder, the bus could even be sent to pick riders up at their actual real-time location.

Those brave souls venturing a guess on future fare payment in the 19th century would have guessed right on cash (although they may not have anticipated exact fare, please) and probably would have seen a transit pass coming. The task is more difficult in the late 20th century. It is safe to guess that a contactless smart card for use in the bank, the supermarket, the mall, and the transit vehicle is coming soon. But what possibilities are in the offing? Will we be able to do our banking on the bus? Simplify trip chaining by having our purchases waiting for us at the nearest bus stop? Get schedule information at an ATM? Smart cards will be an early development in the new millennium, but they will soon be outstripped by continuing technological developments.

Now it is time for idle speculation on likely and not-so-likely futures for transit in the area of marketing and fare policy:

1. A universal smart card that is good on any transit agency in North America (why not the world?). This will profoundly affect two markets that we do not take full advantage of at present: tourists and college students. You will not have to learn a new fare structure every time you travel; the smart card takes care of the transaction. Cost-conscious college students are a major market for transit, as indicated by the increased number of agencies pursuing university pass programs. After graduation, a student could use the same smart card in the new city of employment.

2. Increased cross-industry marketing with the private sector to encourage use of transit and purchase of a particular product or service.

3. A UPC (universal person code) embedded in our palms will be tied to the single bank left in the world after the merger mania of the 21st century plays itself out. We will show our palms for all purchases, including transit fare. An unexpected side benefit will be enhanced driver-passenger relationships, since every boarding passenger will have to wave at the driver.

All of this is fun to speculate on—but what is transit’s safest bet for the future?

1. Learning more about current markets and submarkets so that transit can serve and retain customers better.

2. Sharing information about successful strategies and technology with others in the industry.

3. Using whatever technology is available to understand to the greatest extent possible what is happening to service and riders.

4. Continuing research into and monitoring of what current customers are demanding or dreaming about.

5. Recognizing that customer satisfaction is the sine qua non without which growth in ridership is impossible.

6. Increasing awareness and participation (transit-oriented development) in the life of the urban and rural communities that transit serves.

7. Keeping flexible, and watching for how changing markets and conditions can create opportunities for growth.

The very fact that no one knows what the future holds is what makes speculation about the new millennium so much fun. Take a ride in Tomorrowland, go back to read Jules Verne, or watch an old Jetsons episode or the latest Star Wars movie. The future looks almost routine, even preordained. But it is certain that all of these looks ahead are missing some critical element that will profoundly affect everyday life in the 21st century and beyond. In our own day, attempting to discern trends requires us to understand and factor out events that are only blips in the long-term trend and to distinguish cyclical patterns. But even perfectly accurate trends cannot account for the unexpected or the serendipitous. As we refine our complex methods, we look for simple results: transit systems that are inviting, easy to use, and interwoven into the community; fare policies that encourage use and provide a fair return; market research that increasingly lets us tailor service to particular market segments. But what are we not anticipating?

Finally, if the future is what we make it, then who “we” are is a critical component of the future of public transportation. We need to ask some hard questions about what kind of

people we are drawing to the industry, what kind of training and equipment we give them to work with, and what kind of dreams we encourage them to dream.

We are lucky to have many fine minds working today in public transportation. We must do our best to recruit and encourage other fine minds to continue this work. We must also do a better job of recruiting and involving the minds of the public we serve.