

DEVELOPING A MARKETING STRATEGY FOR NATIONAL RAILCARDS

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1. BACKGROUND TO PROJECT

The Railcard concept was introduced by British Rail as a way to encourage off-peak rail travel amongst certain market segments. The Young Persons Railcard (introduced in 1974 as the Student Railcard) and Senior Railcard (1975) were designed to increase rail usage in these groups by offering them lower prices. The segments concerned were believed to be more price elastic than the market in general and to have a low incidence of business travel, reducing the risk of abstraction from full price fares. The Family Railcard (1979) was introduced on the same basis.

Throughout the 80's and 90's, the Railcards sold well and were commercially successful. At privatisation in 1996/7, the Young Persons and Senior Railcards were classified as 'regulated' products, and as such, Train Operating Companies (TOCs) are obliged, as a condition of their Franchise Agreements, to sell and honour these Railcards nationally. At the same time, the Family Railcard was retained, on a purely commercial basis, by the TOCs.

Various studies commissioned since 1987 have concluded that these three national Railcards are highly revenue generative for the passenger rail industry. Estimates, based on findings from a research study in 2003, established that the three national Railcards generated £61m of additional revenue in 2004/5. The Young Persons and Family Railcards are profitable on the basis of travel revenue alone, whilst the Senior Railcard is profitable after revenue from the initial card purchase is taken into account.

Railcards achieve very high returns on marketing investment, considerably above what is believed to be the industry average. A number of factors probably underlie this:

- The Railcards are inherently very generative;
- The relatively high level of repeat card purchases;
- The 'multiplier' effect of multiple generative journeys resulting from a single card purchase; and
- The relatively high residual brand awareness in the Railcard target market.

The Association of Train Operating Companies (ATOC) set up a working group to focus on development of a Railcards' marketing strategy over a five year period. One of the initial aims was to carry out a programme of market research and modelling to review card formulations and brand positions, and relaunch in 2007/8 based on its recommendations. The market research and modelling were undertaken by MVA Consultancy.

2. RESEARCH METHODOLOGY

The research was carried out in two phases. The first phase consisted of a number of focus groups, an on-train survey and a computer-assisted telephone interview (CATI) survey to consider current perceptions of the Railcards, and attitudes to changes in the current product. The second phase used the responses from the first phase to design and administer a stated preference survey to quantify how passengers value different features of the Railcards, in particular, the trade off between the price of the Railcard and the discount it provides. The results of this fed into models that calculated the effects on revenue for different Railcard formulations.

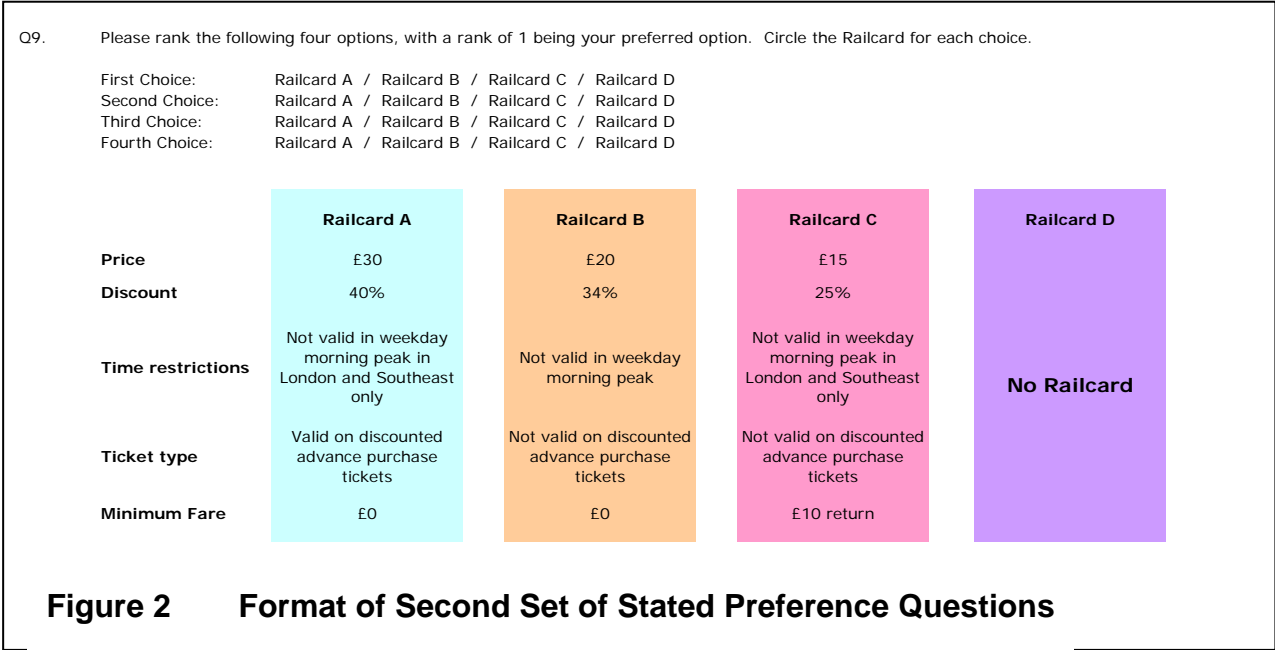
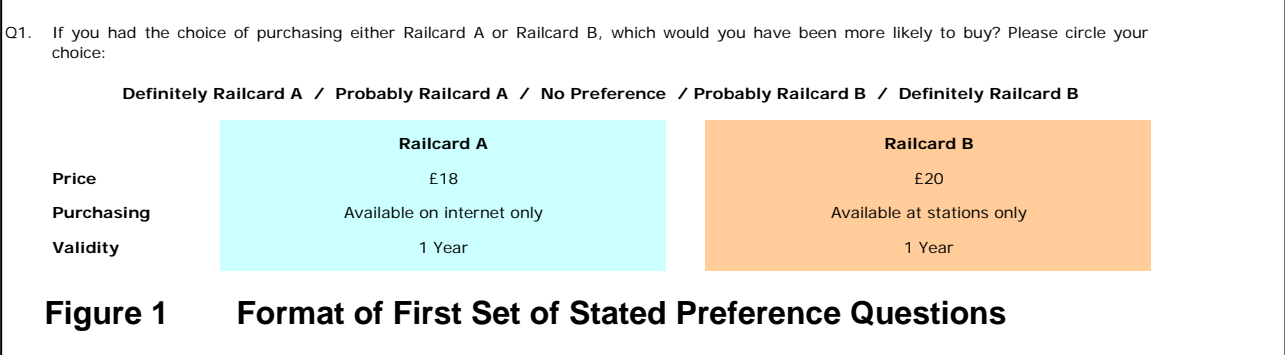
Twelve focus groups were held in six different locations. Four focus groups were held for each Railcard (Young Persons, Family and Senior); in each case, two contained current users and two contained potential and lapsed users. Recruitment of current and lapsed participants was undertaken using a database of Railcard holders, and potential respondents were recruited via free-find methods. Groups were around 90 minutes in duration and covered a broad range of topics including satisfaction with the Railcard, awareness of the Railcard and brand perceptions and image.

For the on-train survey, interviewers approached a random cross-section of people travelling on a sample of trains, asking them to fill in a self-completion questionnaire and take part in a follow-up telephone survey a few weeks later. Interviewers recruited passengers using a contact questionnaire to ensure eligibility for one of the three Railcards. For the Family Railcard, eligibility was determined if the respondent had travelled with a child in the past year on any mode. The on-train questionnaire took around 5 – 10 minutes to complete and collected information on possession of a Railcard, a travel log of rail journeys made in the past 12 months, and key demographic information. Random sampling on train ensured a representative sample across current, lapsed and potential users of each Railcard.

The telephone survey was carried out with the aim of interviewing 122 respondents in each of the nine categories (current, lapsed and potential respondents for each of the three Railcards). Randomly drawn samples of current and lapsed holders of the Railcards were drawn from the database of Railcard holders. Potential respondents were randomly selected from the on-train survey. However, only a small number of people in the Family and Senior potential categories were identified as part of the on-train survey, and so the intended sample size for these two categories was not quite achieved. Interviews lasted around 20 minutes and covered a range of different topics including awareness of Railcards, satisfaction with Railcards, and reaction to potential changes or purchasing channels.

Respondents for the stated preference survey were selected from the on-train survey. The survey aimed to interview 225 respondents for each Railcard, split between the three user-categories, although not all quotas were fully achieved. Questionnaires were sent out to respondents, and then the respondents were phoned up for their answers; this is an efficient method of achieving a good response rate. The questionnaires included two sets of stated preference questions. The first set showed the respondents two Railcards which differed by price, purchasing channel and years of validity, and asked the respondent for

their preference; an example is shown in Figure 1. The second set showed the respondents four Railcards which differed by price, discount, and various restrictions, and asked respondents to rank the different options; an example is shown in Figure 2. The trip diary information from the on-train questionnaire was analysed to calculate the yearly expenditure for each individual, and used to adjust the price of the Railcard options in the second set of stated preference questions.



The respondents in the on-train survey were used, along with their trip diaries, to form the basis of three revenue models, one for each Railcard. The models allowed the specification of a Railcard by price, discount, minimum fare, morning peak restrictions, ticket type restriction, availability on internet, and years of validity. For each trip from the on-train survey trip diaries, the models calculated whether the specified Railcard would be valid, and if so the price of the trip. The models then calculated the expenditure in a year for each individual in the model with the Railcard and without the Railcard, including an estimation for generated trips, and the probability of buying a Railcard. The individual was then expanded up to the total rail-travelling population eligible for a Railcard, to obtain the total revenue that would be expected with the Railcard specified. A number of parameters were used in the model to represent the relationship between different elements of the

card formulation and Railcard take-up. The elasticities of demand for rail travel to the price of rail were obtained from the 2003 Railcard abstraction and generation research, and other parameters were obtained from the on-train survey and the stated-preference survey.

A summary of the approach is shown in Figure 3.

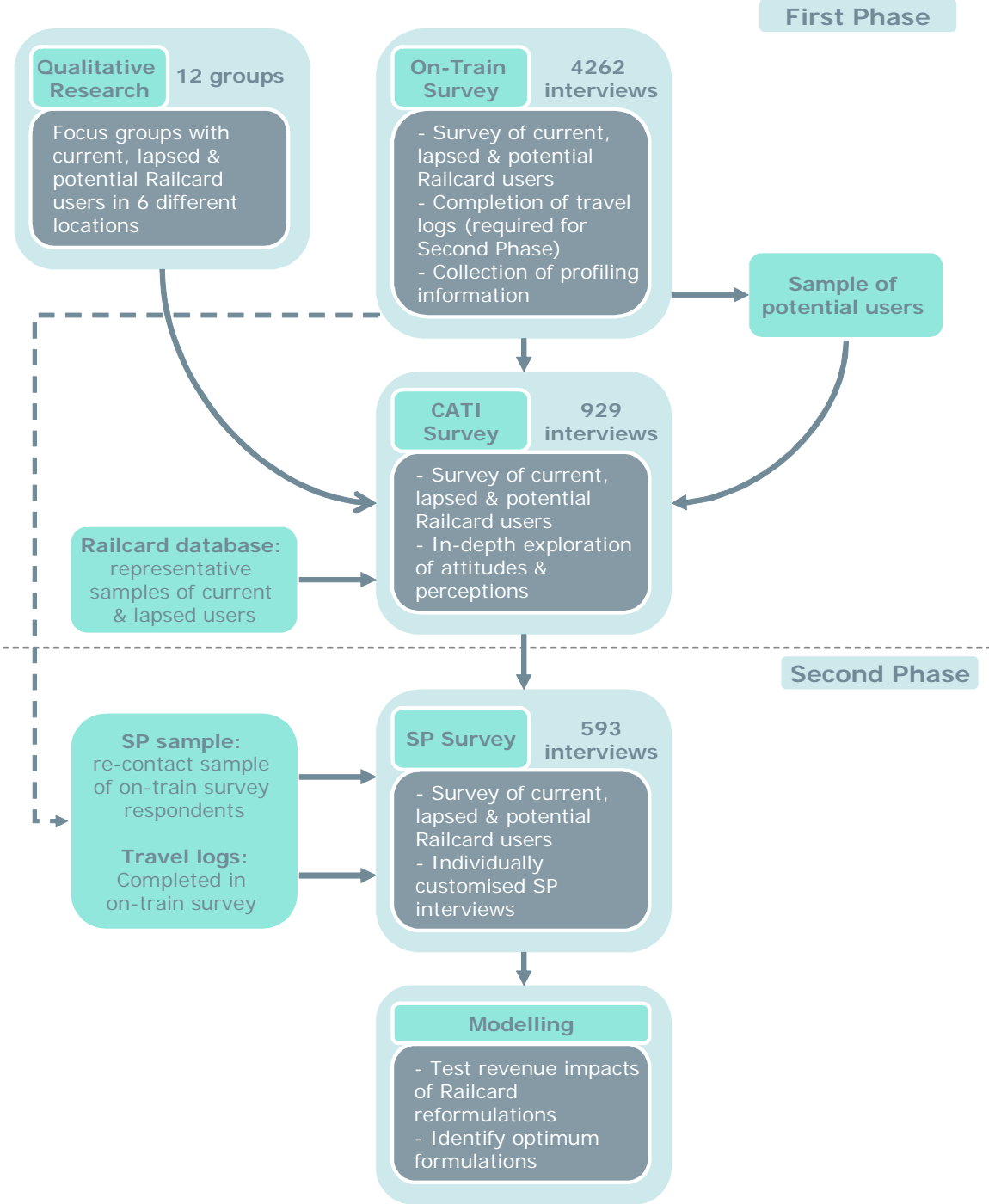


Figure 3 Research Approach

3. PROFILE OF RAILCARD AND NON-RAILCARD HOLDERS

The on-train survey provides the best basis of profiling a typical rail user as the respondents obtained in the other surveys are limited by quotas and biased towards how easy it is to contact the respondent by phone. The respondents in the on-train survey were categorised by which Railcard respondents were eligible for and also whether they currently held a Railcard (current), used to own a Railcard (lapsed), or had never owned a Railcard (potential).

Table 1 summarises the profile of Young Persons Railcard holders.

Table 1 Young Persons Railcard Holders Profile

	Current Holders	Lapsed Holders	Potential Holders
% Female	60%	58%	53%
% Students	64%	36%	37%
% Have access to car	38%	51%	36%
% make rail journey at least once a month	64%	45%	52%
% of short distance trips	42%	59%	61%
Average monthly rail journeys for leisure / personal business	5.1	4.1	4.4

Around 60% of current and lapsed Young Persons Railcard holders were female, whereas 53% of potential Railcard holders were female. This suggests that of those eligible, females are more likely to purchase the Railcard. Almost two-thirds of current Railcard holders were students compared to around a third of lapsed and potential holders. This suggests that the Railcard is more attractive to students, either because they have a greater benefit from the Railcard as they make more rail journeys, or there is a greater awareness of the Railcard by students (generally there is good marketing of Railcards through universities). Lapsed respondents are more likely to have access to a car than current respondents, suggesting that once someone has access to a car, they make fewer rail journeys, and therefore no longer benefit from a Railcard. Around 50% of lapsed and potential users make a rail journey at least once a month, compared to around two-thirds of current users, suggesting that lapsed and potential users may not travel frequently enough for a Railcard to be of use. Current railcard users make fewer short distance trips (less than one hour) and more long distance trips than lapsed and potential users. Current Railcard holders make more personal business and leisure trips (including visiting friends and relatives) than lapsed and potential users. On average, current Railcard holders spend the most on rail journeys, but many lapsed and potential users also appear to spend enough for a Railcard to be of benefit to them.

Table 2 summarises the profile of Family Railcard holders.

Table 2 Family Railcard Holders Profile

	Current Holders	Lapsed Holders	Potential Holders
% Female	68%	54%	45%
% Work Full Time	41%	65%	64%
% Have access to car	61%	86%	78%
% make rail journey at least once a month	49%	47%	44%
% of short distance trips	35%	38%	49%
Average monthly rail journeys for leisure / personal business	2.9	1.7	2.2

Over two-thirds of current Family Railcard holders are female, with closer to a half of lapsed and potential holders being female. A smaller proportion of current holders work full time and have access to a car compared to the lapsed and potential users. This suggests that current holders have more time for travelling with children, and as they are less likely to be able to travel by car, are more likely to travel by other modes such as rail. For each type of respondent, around half of those interviewed travelled by rail at least once a month, although a slightly higher proportion of lapsed and potential respondents travelled by rail at least once a week than the current respondents. As with the Young Persons Railcard analysis, current Family Railcard holders make more rail journeys for personal business and leisure purposes than potential and lapsed respondents. The vast majority of rail expenditure by those valid for a Family Railcard is on journeys which are not valid using a Railcard, mainly because they do not involve travel with a child. Although, on average, current Railcard holders do spend enough to benefit from a Railcard, lapsed and potential holders only spend on average just enough for a Railcard to be of value to them.

Table 3 summarises the profile of Senior Railcard holders.

Table 3 Senior Railcard Holders Profile

	Current Holders	Lapsed Holders	Potential Holders
% Female	54%	56%	53%
% Aged 70+	33%	37%	30%
% Retired	70%	79%	69%
% Have access to car	74%	70%	72%
% make rail journey at least once a month	48%	36%	21%
% of short distance trips	35%	53%	49%
Average monthly rail journeys for leisure / personal business	2.5	2.6	2.2

The gender breakdown for the different user groups eligible for a Senior Railcard is similar, with just over half of respondents being female in each case. Lapsed respondents are generally older, and higher proportions are retired compared to current and potential users. This is possibly because as people get older, they feel less able to travel by rail and therefore do not travel frequently enough for a Railcard to be of value to them. Current Railcard holders make more frequent journeys than lapsed and potential holders with around two-thirds of lapsed respondents and around 80% of potential respondents travelling less than once a month. Current Railcard holders also tend to make more long distance trips than lapsed and potential holders, although current Railcard holders make a similar number of leisure trips to potential Railcard holders. On average, current Railcard holders spend more than double on rail journeys than lapsed and potential holders, although the mean expenditure for lapsed and potential holders is just about high enough on average for the Senior Railcard to be of benefit to these respondents.

4. AWARENESS, BRAND AND PRODUCT PERCEPTIONS

Awareness of and satisfaction with the Railcards was discussed with respondents as part of the CATI survey. The focus groups included discussions on perceptions of the current Railcards including reactions to advertising material presented to them.

Of those who had never owned a Young Persons Railcard, around half were aware that discount Railcards were available, and around a third could recall the name of the Young Persons Railcard. Over 40% of current and lapsed respondents thought, incorrectly, that only students were eligible for the Railcard. Although there is a fairly good awareness of the Young Persons Railcard, knowledge of who is eligible and the restrictions is limited. Almost half of current and lapsed respondents found out about the Railcard through word of mouth rather than through advertising or the ticket office.

All participants in the Young Persons Railcard focus groups thought that the Railcard was good value for money and would be happy to recommend the card to friends. The main benefits were seen to be the discount, subsequent savings and the overall good value for money. The main disbenefit was that it was not of use in the weekday morning peak. The results of the CATI survey supported this, with 70% of current Railcard users being very satisfied with the card, and 78% of respondents saying that they would recommend it. Many participants in the focus groups thought that the card was aimed more at students than Young Persons generally, and the card was perceived either as one that was used by teenagers and students who have a limited budget, or by someone in their early to mid 20s who used it for social reasons. The name "Young Persons" was considered by a number of participants as negative. It was felt that the advertising material should emphasise the potential savings of using a Railcard, the low cost of the Railcard and should focus more on trains and rail travel.

Of those who have never owned a Family Railcard, over two-thirds were aware that discounted Railcards were available, but only just over a third could recall the name "Family Railcard". Unlike the Young Persons and Senior Railcards, the most likely source of finding out about the Railcard was through the ticket office, with over a third of current and lapsed users finding out about it this way. Around a fifth of current and lapsed respondents found out about the Family Railcard through each of word of mouth and advertising.

Again, all participants in the focus groups thought that the Family Railcard was very good value for money and there was a high level of satisfaction. The main positive attribute was felt to be the savings derived from the discount, although the restrictions on use were considered negatively. Many participants thought that the age restriction for children should be increased above 15. The results of the CATI showed that 59% of respondents were very satisfied with the card, and 73% would recommend the card. Focus group participants thought that the Family Railcard image was of a practical discount card that will save money and can be used for holidays and family days out. Participants thought that there should be an emphasis on the potential savings and the discount along with the low one-off payment of £20. The flexibility of who can use the card and that it can have unlimited use over 12 months should also be highlighted.

Of those who had never owned a Senior Railcard, 80% were aware that discount Railcards are available, and 45% could recall the name of "Senior Railcard". Around a third of respondents found out about the Railcard through word of mouth, a quarter through advertising, and around 15% through the ticket office. As with the Young Persons and Family Railcards, participants in the focus groups thought that the Senior Railcard provided good value for money. The key positive feature was the cost of the card and the savings it gave. The main negative attributes were the restrictions on the morning peak and the complicated fares structure. 74% of respondents from the CATI survey were very satisfied with the card, and 83% would recommend it. The image of the Senior Railcard is of a practical discount card that provides affordable travel and incentive to travel and gives freedom to holders. There was a feeling that the age criteria and the discount the Railcard provides should be more prominent on the marketing material.

5. BARRIERS AND DRIVERS OF SALES AND USE

Reasons for renewing or not renewing the Railcards, and possible changes to the Railcards were discussed as part of the CATI interview and as part of the focus groups. In addition, the stated preference survey asked respondents to state their preference for different formulations of Railcards. From these surveys, it has been possible to gain an understanding of the reasons for purchasing the Railcards in their current form, and also what changes would encourage more people to purchase them.

From the focus groups, the main reason for buying the Young Persons Railcard was the large discount and the resulting savings on rail travel. The main reason given for not having a card was the limited amount of rail travel that participants intended to make in the future. However the CATI survey indicated that there were a substantial proportion of potential respondents who did not have a Railcard because they did not know enough about them.

Responses to changes in cost and card formulation from the CATI survey suggested that people eligible for the **Young Persons Railcard** would be prepared to spend a large amount on the Railcard if it would give them additional benefits. Around 40% of participants said they would be more likely to buy a Railcard if it gave them discounts to events and attractions. Focus group participants did not see the need for any changes to the price of the card and the discount. Longer validity Railcards at a discounted price were viewed positively, although there was concern over the high up-front cost and the cost of replacement if they lost it. On-line applications for the card were considered a good idea, with 57% of CATI respondents saying the internet was their preferred purchasing channel. The stated preference survey indicated that validity in the morning peak has little impact on the valuation of the Railcard, but introducing a minimum fare or allowing validity on advanced purchase tickets would significantly change the perceived value of the Railcard.

The key influence for focus group participants to purchase a **Family Railcard** was the combination of the low price of the card and the discount and subsequent savings. Almost all potential Railcard holders in the focus groups did not have a Family Railcard because they were unaware of it, and from the CATI survey, the main reasons for potential respondents not having a card were that they did not travel enough to justify it, did not know enough about Railcards, or had never thought about it. The main reasons for lapsed respondents not renewing the Railcard were that they were not going to use it enough or were no longer eligible.

Family respondents were generally happy with the current cost and restrictions of the card, but would prefer to pay less for the card and have more restrictions. Around 50% of respondents would be more likely to buy the card if it gave discounts to events and attractions. Longer validity Railcards were not viewed positively in the focus groups although this did come out as a significant factor in the stated preference survey. Introducing a loyalty scheme to the Railcard was viewed favourably, and a "credit card" style card was also welcomed. Although some focus group participants did not like buying the card at the ticket office due to queues, many had purchased the Railcard spontaneously at the counter at the time of purchasing tickets for a long journey. This suggests that internet purchasing should therefore be introduced whilst maintaining the ability to purchase at the ticket office. The stated preference survey showed that each

element investigated - morning peak validity, minimum fare and advance ticket validity - significantly changed the perceived value of the Railcard.

The key influences for deciding to purchase a **Senior Railcard** from the focus groups were the savings and the large discount. Many lapsed participants from the focus groups felt that they would renew the Railcard as soon as they took another long journey. However the main reasons for lapsed respondents not renewing from the CATI survey were they were not going to use it enough, did not get round to it, or could find cheaper tickets without it. The main reason for potential respondents not having a card was that they did not travel enough to justify the cost.

The majority of CATI respondents would not pay a different amount for different restrictions with the Railcard. There was less interest for those eligible for a Senior Railcard in discounts to events or attractions. A longer validity Railcard was viewed favourably, as was a credit card style card. The preferred channel for purchasing the Railcard was the ticket office, the next preference being the Post Office, and then the internet. The stated preference survey showed that morning peak validity and a £5 minimum fare did not have a significant impact on the valuation of the Senior Railcard, but a £10 minimum fare, and validity on advance purchase tickets do.

6. USER VALUATIONS OF PRODUCT FEATURES

The SP survey enabled monetary valuations to be placed on different features and conditions of the Railcard products.

The first exercise considered purchase route and periods of validity. The results are summarised in Table 4.

Table 4 Valuations of Purchase Channel and Years of Validity

£	Young Person	Family	Senior
Station and Internet	1.20	3.02	3.81
Internet only	-1.49	-1.50	-1.69
Years of Validity	-1.68	-1.53	-1.51

The ‘Station and Internet’ value is the additional amount respondents were willing to pay if the card was made available on the Internet as well as at stations. In principle, if the Young Persons card was made available on the Internet as well as stations, and increased in price by £1.20, then the same number of railcards would be sold over all. It is notable that this feature is most highly valued by Senior users. This may seem counter-intuitive at first, but internet use by older people is generally increasing, and those most likely to use the internet are also those most likely to consider rail travel for leisure purposes.

The Internet Only values reflect what passengers would be willing to pay if the card was only available on the internet. The negative values reflect that respondents viewed this as

a less convenient situation than the current station-only distribution arrangement. Even so, the generally pro-internet sentiment amongst users meant that the magnitude of these values was not enormous.

The years of validity values represent the value respondents placed on cards of longer durations: each additional year of duration had a negative value associated with it. One would naturally expect a card of two-years duration to be cheaper than two of one-years duration, to offset the increased risk of committing to a certain amount of Rail travel per year for a longer period, as well as the cashflow disadvantages. For ATOC these cashflow advantages are positive, and additional benefit accrues from users effectively renewing their card immediately on expiration, rather than waiting until the next time they travel after expiration.

The second SP exercise looked at the value placed on the level of discount offered and the range of restriction imposed. The results are summarised in Table 5.

Table 5 Valuations of Discount and Restrictions

£	Young Persons	Family	Senior
Value of additional 1% discount	2.28	2.96	0.49
Adjustment to 1% discount if:			
Discount valid on AM peak services outside London	Insignificant	0.87	Insignificant
£5 minimum fare	-0.38	-0.65	Insignificant
£10 minimum fare	-0.75	-1.09	-0.22
Valid on Advance Purchase Tickets	0.79	1.27	0.77

The value placed on a 1% discount are consistent with the findings from ATOC’s earlier AbsGen work, with Family users giving the discount the highest value reflecting them also having the highest elasticity to price, and Seniors providing the smallest values and having the lowest elasticity to price.

AM Peak validity seems only to be valued by Family users. Senior users in particular tend to avoid the peaks as they are averse to crowding.

The values for minimum fare restrictions seem largely intuitive. The value for the £5 minimum fare was too small to recover a statistically significant value for Seniors.

Validity on Advance Purchase is highly valued by all groups, but compared to the value of a 1% discount the Seniors value is especially high. Such tickets tend to be popular with

these users, who have flexibility to travel off-peak, tend to plan their journeys in advance and value reserving a seat.

7. RAILCARD PRODUCT FORMULATION

A Railcard model was developed for each Railcard to test the sales of Railcards and the revenue generated for different formulations of Railcard. The formulations of Railcard could vary by price, discount, morning peak validity, validity on advance purchase tickets and minimum fare. The model also allowed for different purchasing options, either station only, internet only or stations and internet, and by years of validity. However, for these options, it was found that only marginal differences were made in the overall revenue. The models used elasticities for each of the Railcards which were calculated using the 2003 Railcard abstraction and generation research. These elasticities, at the current discount, were -1.0 for Young Persons, -1.21 for Family, and -0.67 for Senior.

Young Persons Railcard

Figure 4 shows the effect of discount, validity on advance purchase tickets and minimum fare on advance purchase tickets on the total revenue for the Young Persons Railcard. Total revenue includes the sale of the Railcard plus net incremental revenues from rail travel.

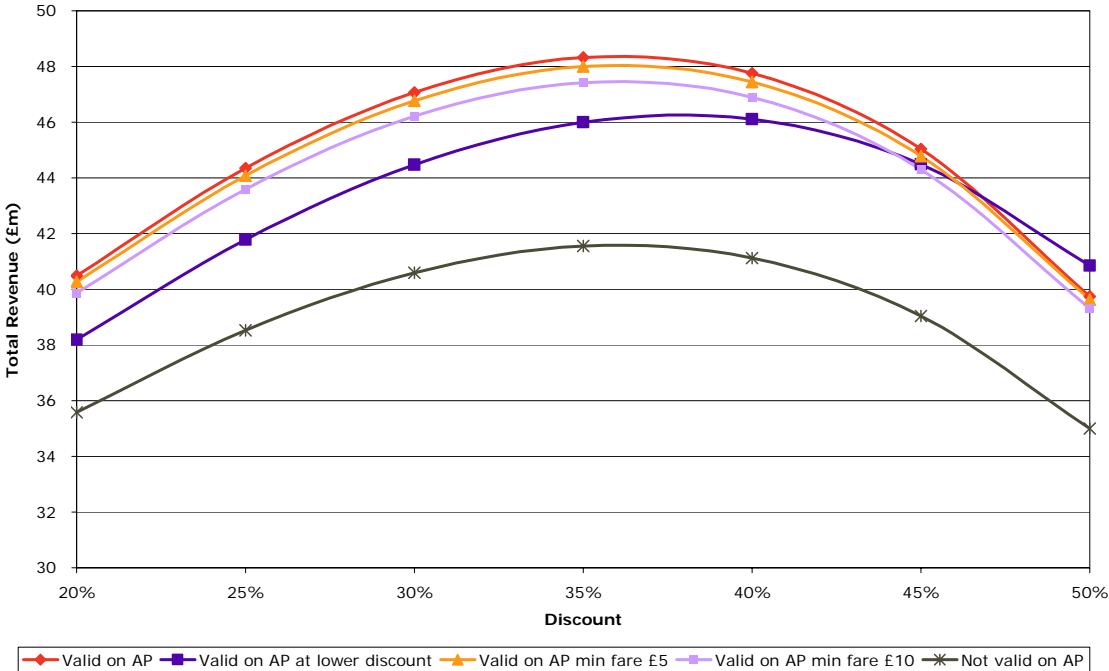


Figure 4 Young Persons Railcard – Revenue from Discount and Advance Purchase Variations

The Young Persons model showed that allowing the Railcard to be valid on advance purchase tickets increases the revenue of the Railcard. The increase is greatest if there are no restrictions on advance purchase such as a lower discount or a minimum fare. Restrictions on the Railcard in the weekday morning peak reduced the revenue. The model showed that as price of the Railcard increased, the amount of revenue also

increased. The model also showed that the most profitable discount with the current restrictions was between 34% and 40%.

To generate the maximum revenue, there should be as few restrictions on the Young Persons Railcard as possible. The discount currently offered is about right, although the cost of the Railcard could be increased. The most profitable formulation tested was a £30 Railcard with a 34% discount, and valid on advance purchase tickets. This produced a generated ¹ revenue of £58.6m compared to the current £41.7m, and a generated travel revenue per Railcard of £24.49 compared to the current modelled value of £19.26. A higher Railcard price increased revenue further, but was not considered acceptable.

Family Railcard

Figure 5 shows the effect of discount, validity on advance purchase tickets and minimum fare on advance purchase tickets on the total revenue for the Family Railcard.

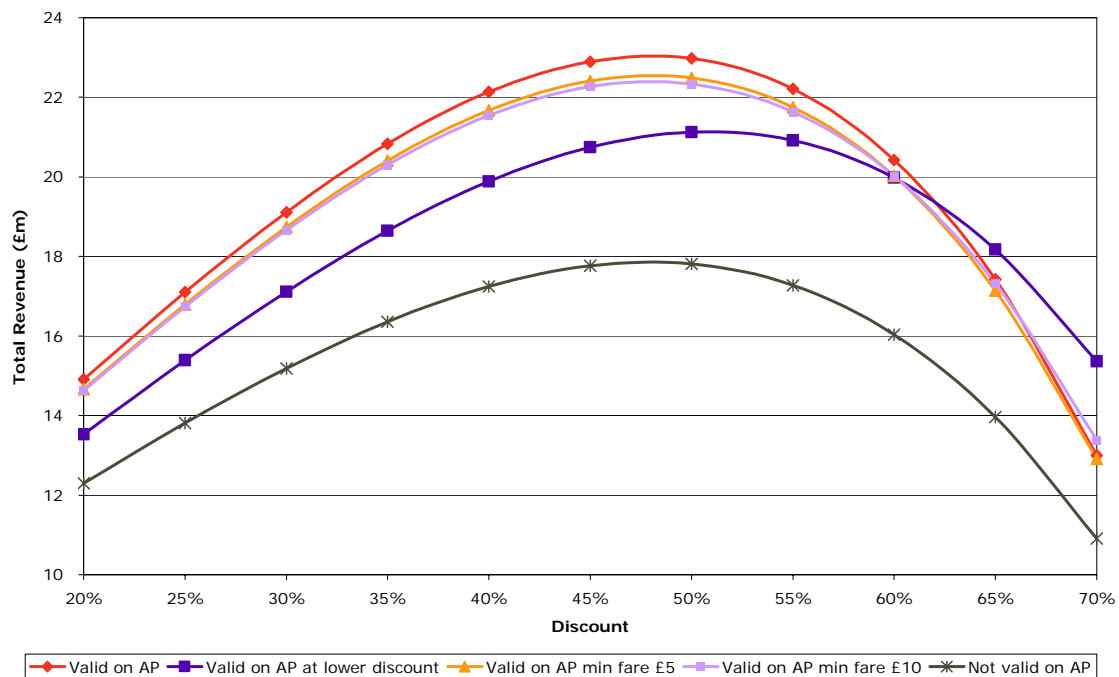


Figure 5 Family Railcard – Revenue from Discount and Advance Purchase Variations

The Family Railcard model behaved in a similar manner to the Young Persons model. As both the price of the Railcard increased, and the size of the discount increased, the revenue increased. Other tests showed that allowing the Railcard to be valid on advance purchase tickets increases the size of the revenue, and this increase is maximised if there are no restrictions, such as a lower discount or a minimum fare, on these advance purchase tickets. There was little effect of morning peak restrictions on the revenue.

As with the Young Persons Railcard, more revenue is generated with the Family Railcard if there are fewer restrictions on use. Increasing the discount by a small amount and the cost of the Railcard will also generate extra revenue. The most profitable formulation tested was a £30 Railcard, a 50% discount, and valid on advance purchase. This

produced a generated revenue of £26.2m compared to the current £16.1m, and a generated travel revenue per Railcard of £44.87 compared to the current modelled value of £28.29.

Senior Railcard

Figure 6 shows the effect of discount, validity on advance purchase tickets and minimum fare on advance purchase tickets on the total revenue for the Senior Railcard.

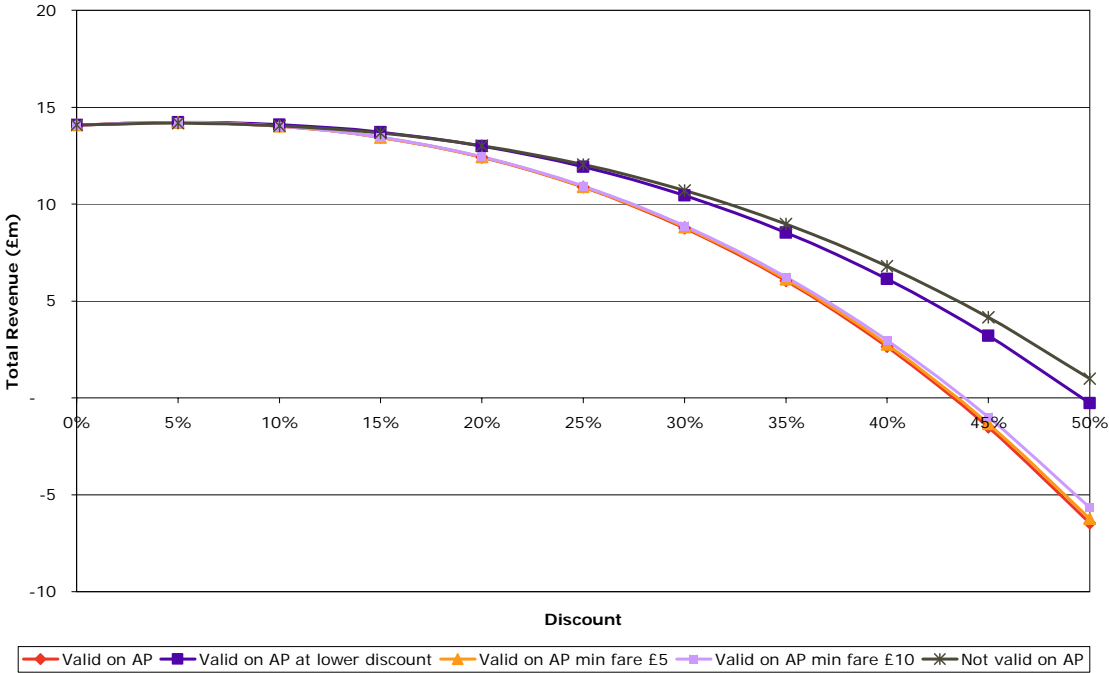


Figure 6 Senior Railcard – Revenue from Discount and Advance Purchase Variations

Due to the Senior market being relatively inelastic, the responses to different formulations of the Senior Railcard differs to the Young Persons and Family models. Increasing the price of the Railcard increases the revenue, but increasing the size of the discount decreases the revenue. Other tests showed that revenue is maximised if the Railcard is not valid on advance purchase tickets and if there is a weekday morning peak restriction across the whole country.

More revenue is therefore generated with the Senior Railcard if more restrictions are in place. There is scope for increasing the price of the Railcard or reducing the size of the discount. The most profitable formulation tested is a £30 Railcard with a 5% discount that is not valid on advance purchase tickets. This produces a generated revenue of £20.9m compared to the current £9.3m, and an increase in generated travel revenue per Railcard of negative £0.07 compared to the current negative £7.40². Although this is the optimum formulation in the model, in practice it is unlikely that this formulation would be viable as the discount is so low.

It may not be considered practical to market the different types of Railcard as offering different discount levels, nor substantially different conditions of validity. An analysis was

therefore undertaken with the same condition on all three cards. As the greatest revenue is obtained from the Young Persons Railcard, the effect of this Railcard dominated the results. Validity on advance purchase tickets and no weekday morning peak restrictions increased revenue. The greatest revenue was obtained for Railcards that cost £30, gave a 34% discount, and were valid on advance purchase tickets. This produced a generated revenue of £96.3m, compared to the current £67.2m, primarily through the increase in Railcard price, rather than an increased in generated travel per Railcard.

Table 6 summarises the contribution that each Railcard makes to this total, and also the revenue that would be generated if each Railcard was adjusted to its optimum formulation.

Table 6 Revenue by Railcard

Railcard	Formulation	Revenue (£m)
Young Persons	£30, 34% discount, valid on advance purchase	58.6
Family	£30, 34% discount, valid on advance purchase	23.7
Senior	£30, 34% discount, valid on advance purchase	14.0
Total		96.3
Young Persons	£30, 34% discount, valid on advance purchase	58.6
Family	£30, 50% discount, valid on advance purchase	26.2
Senior	£30, 5% discount, not valid on advance purchase	20.9
Total		105.7

Adjusting each Railcard to its optimum formulation has the potential to generate an additional £10 million, but there will be additional administration and marketing costs associated with this, and there could be very low take-up of the Senior Railcard, due to the low discount offered.

7. CONCLUSIONS

Product awareness of the Senior Railcard was high, but awareness and knowledge of eligibility requirements for the Family and Young Persons Railcards was low, indicating that work needs to be undertaken on these two Railcards. This could be undertaken through a ‘corrective’ campaign or through introducing new product identities. In particular, after further focus groups, the Young Persons Railcard is going to be rebranded as the 16-25 Railcard, and the Family Railcard as the Family & Friends Railcard.

In order to grow the customer base, marketing initiatives are required to address three specific aims:

- Increase basic product awareness among 'eligible non-purchasers' through simple information on eligibility, price, discount, where and how to buy, and restrictions;
- Correct false awareness over eligibility, particularly among Family Railcard and Young Persons Railcard potential purchasers; and
- Promote take-up and use by generating interest and appeal and prompting first-time purchases among the rail-inexperienced.

Subsequent to this research, the marketing spend is going to be focussed on the Family Railcard and workers aged 16 to 25.

Customer loyalty to the Railcards is already extremely high. However building loyalty with existing Railcard holders should continue since it is a cost-effective way of encouraging extra trips. This should continue alongside increasing awareness of the Railcards and promoting third party offers.

The modelling work showed that for the Young Persons and Family Railcards, more revenue would be generated with fewer restrictions on the Railcards, but for the Senior Railcard, more revenue would be generated if there were more restrictions. The discount offered by the Young Persons Railcard is about optimal, but more revenue would be generated if the Family Railcard discount increased and the Senior Railcard discount decreased.

There are advantages for the three types of Railcard to have a similar formulation.

Therefore the study recommended that:

- The discount is maintained at 34%;
- The price of the Railcard should increase;
- The Railcards should be valid on advance purchase tickets;
- There should be no minimum fare; and
- The weekday morning peak restriction should be standardised across Railcards, and maintained with respect to a policy on crowding.

As a result of the study, the price of all three Railcards is going to be increased to £25, with a review after 12 months with a view to further increases. Discounts will also be available on advance purchase fares. A three year variant of each Railcard will be introduced, and there will be additional third party discounts for Railcard holders.

Notes

¹ The revenue from additional trips generated due to owning a Railcard, minus the reduction in revenue on existing trips due to the discount.

² The loss of revenue due to the discount is greater than the revenue from generated trips.