

Recent Developments in Pricing of German and Austrian Public Transport: Increasing both Yield and Number of Passengers!?

Case studies

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Austria and Germany: Differences in Terms of Fares and Financing

Cost coverage in Germany and Austria is roughly twice as high as in France. However, different financing systems are implemented as well.



- ▶ **Cost coverage by passengers is substantially higher in Austria and Germany:**
More than 50 % cost coverage – twice as high as in France – no „versement transport“ tax-based financing by municipalities
- ▶ **Regular fare adjustments:**
Fare increases are higher than the increases in cost of living
- ▶ **Lower Fares in Austria:**
due to political campaigns (e. g. Vienna, Vorarlberg: annual pass „1 € per day“)
- ▶ **Highly integrated fare schemes:**
All big conurbations provide an integrated ticketing system for municipal transport, regional buses and rail
- ▶ **Tickets for specific target groups are common:**
Family Tickets, Partner Tickets, Senior Tickets etc.
- ▶ **Tight public budgets:**
Infrastructure and rolling-stock investments are underfunded (esp. underground rail) – need for higher revenues or public funding

Pricing trends in German and Austrian Public Transport: Flat rates, key account fares and electronic pricing.

Integrated pricing reforms



VAG Überlegen bewegen.

Nürnberg



Innsbruck

- ▶ **Complete fare scheme relaunch** in order to fulfil **political goals**
- ▶ Integration of **PT pricing and parking management** (esp. tariffs)
- ▶ **Incentives for loyalty**: attractive flat rate fares

E-pricing



- ▶ **Casual rider strategy**: account-based ticketing, **mini flat rate** instead of traditional direction-based tickets, **daily price cap**
- ▶ **Part-time flat rate**

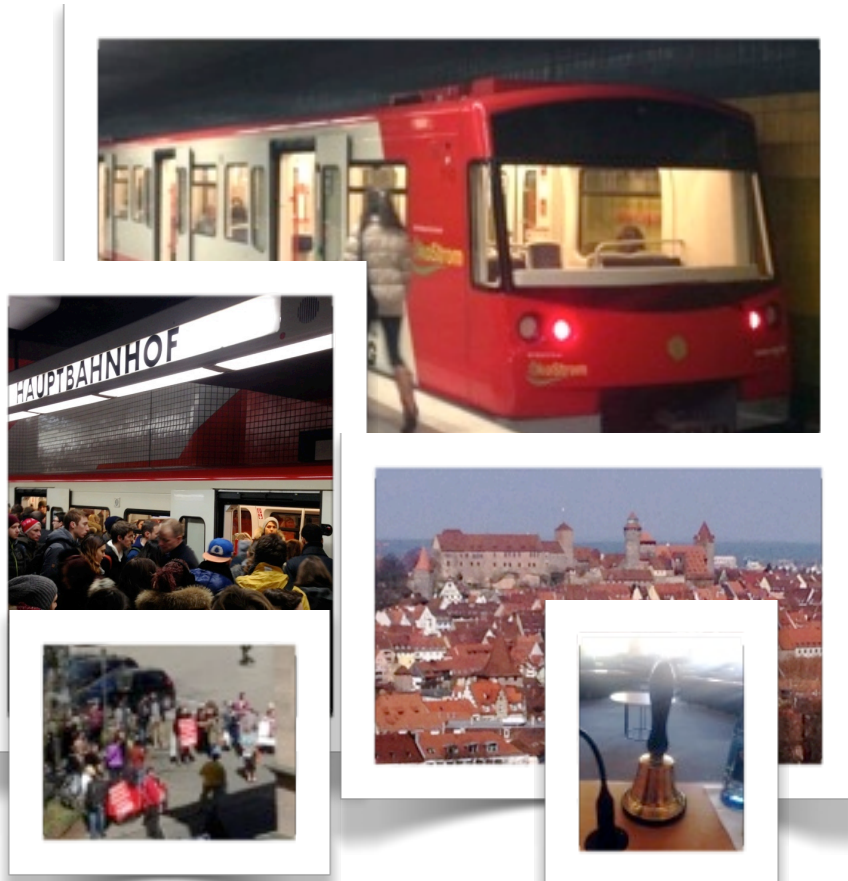
Key account pricing



AVV Augsburger Verkehrs- und Tarifverbund

- ▶ Integration of **pricing** and **key account management** techniques
- ▶ **Performance-based discounts** instead of **bulk discounts**

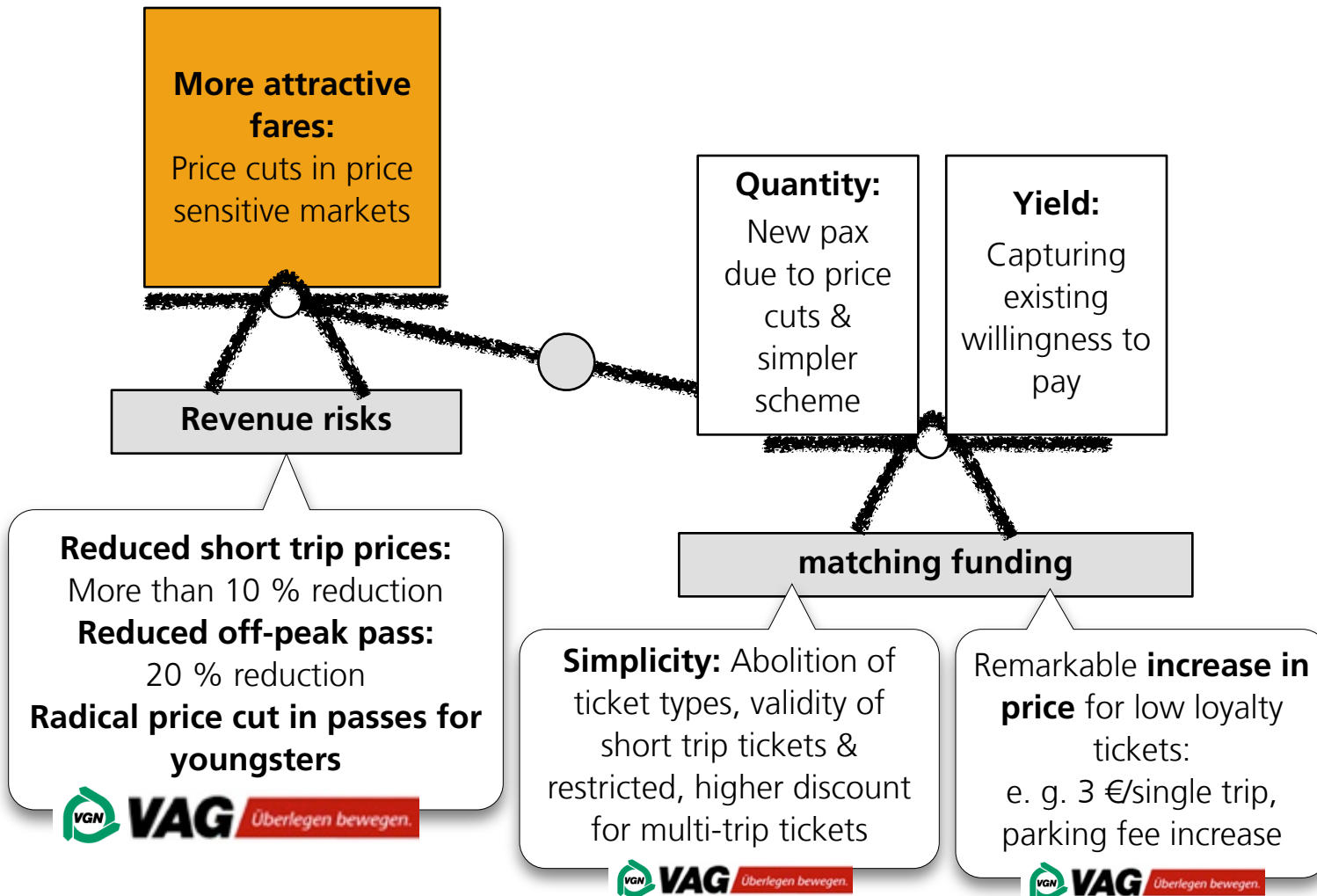
Nürnberg's goals: increasing cost coverage and attractiveness without harming the integrated ticketing (Verbundtarif).



- ▶ Target: **Reducing structural deficit** of VAG by 4 Mio € per year **without losing passengers**
- ▶ relaunch of existing fare scheme **without harming the integrated ticketing**: one ticket for trains, busses and trams
- ▶ Fast execution: 6 months between start of project and city council decision
- ▶ Deep quantitative analysis plus multiple **interviews with all relevant political stakeholders**
- ▶ Consensus-building with **council parties and neighbouring councils** in the integrated ticketing area

Source: Consulting project **PROBST & CONSORTEN** MARKETING-BERATUNG, 2014-2015

Price reductions in price-sensitive markets were financed by increases in less sensitive markets.



Nürnberg's results: increased patronage, more than 10,000 new subscriptions, revenue targets achieved and almost doubled.



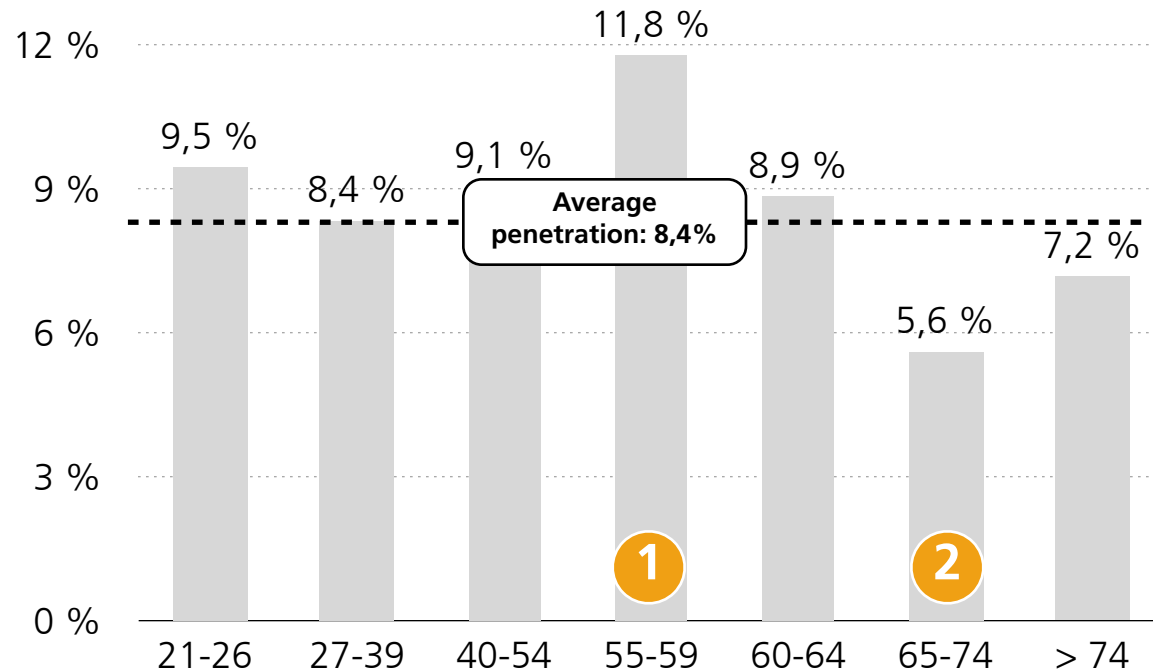
Key learnings:

- ▶ **Simultaneously optimising parking and PT fares:**
Despite initial frictions widely accepted new and almost doubled fees for public parking spaces
- ▶ **Incentivising loyalty pays off:**
Higher rebates for pass subscribers led to a substantial increase in subscriptions; same for multi-trip-tickets
- ▶ **Price cuts** for short trip tickets, subscriptions for youngsters & off-peak subscriptions **generate new users:** with the support of aggressive communication efforts: price sensitive markets react quickly

Source: Consulting project **PROBST & CONSORTEN** MARKETING-BERATUNG, 2014-2015

Analysis: Annual pass penetration differs widely - There is huge potential for loyal passengers.

VAG market penetration adult annual tickets 2014
(without student and job tickets)

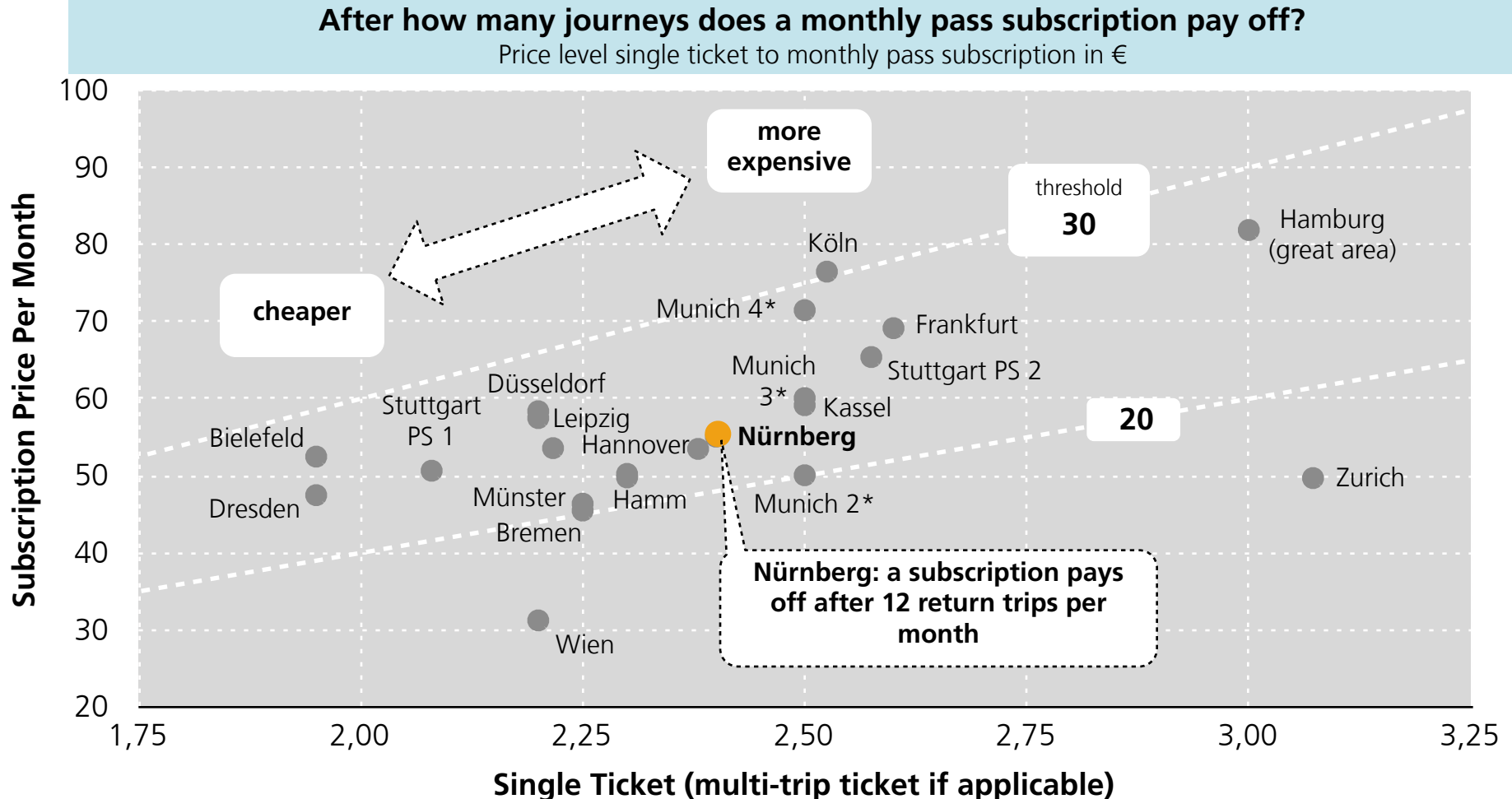


remarks

- 1 Above average penetration - how does this cohort develop?
- 2 Lower penetration around retirement: Does this target group deserve an own ticket?

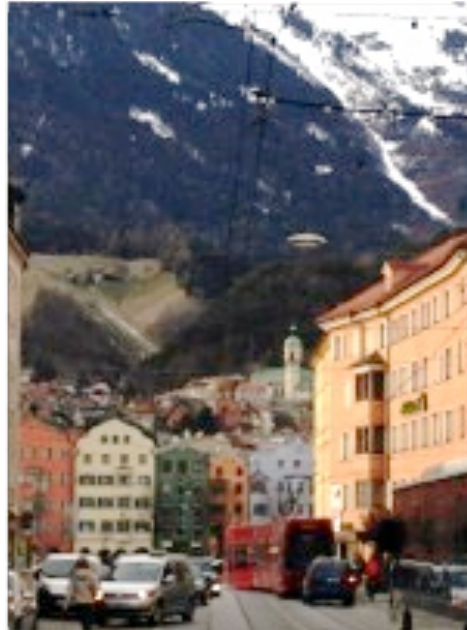
Source: **PROBST & CONSORTEN** MARKETING-BERATUNG, VAG data 2014

Analysis: Nürnberg's price level was on average of comparable cities.



Source: **PROBST & CONSORTEN** MARKETING-BERATUNG, database 11/2014; *Munich differentiates passes in 3 different zones (2,3,4)

Innsbruck: populist ideas resulted in heavily subsidised annual tickets in many Austrian cities. – Innsbruck tried a different approach ...



- ▶ **Reason for reform:**
New city council was provoked by the new reduced annual ticket in Vienna („1 Euro per day“: 365 €)
- ▶ **Task:**
What could be the maximum **price cut** for the annual ticket (465 €) **without raising subsidies** and with a substantial **increase in passengers**?

Source: consulting project **PROBST & CONSORTEN** MARKETING-BERATUNG, 2012-2014

Innsbruck Case Study

Innsbrucks' new fare scheme is much simpler with obvious incentives to increase patronage.

Before Fare reform 2014

Innsbruck-Tickets <small>sind VVT Tickets für Fahrten mit Bus, Bahn und Tram in Innsbruck (Kernzone)</small>							VVT Tickets für ganz Tirol <small>inkl. Innsbruck (Kernzone)</small>	
Jahres-Ticket	Halbjahres-Ticket	4-Fahrten-Ticket	Einzel-Ticket	24h-Ticket	Wochen-Ticket	Monats-Ticket	Jahres-Ticket Seniorin	SchulPlus-/LehrPlus-Ticket
462,-	231,-	6,10 <small>(1,525 pro Fahrt)</small>	1,80 <small>+ € 0,20 bei Ticketkauf im Fahrzeug</small>	4,50	14,20	46,20	240,- <small>Seniorinnen ab 61</small>	96,- <small>Schülerinnen und Lehrlinge bis 24 Jahre</small>
Jahres-Ticket Ermäßigt	Halbjahres-Ticket Ermäßigt	Semester-Ticket	4-Fahrten-Ticket Ermäßigt	Einzel-Ticket Ermäßigt	24h-Ticket Ermäßigt	Wochen-Ticket Ermäßigt	Monats-Ticket Ermäßigt	
Family Family Light Plus Menschen m. Handicap	Family Family Light Plus Seniorinnen ab 61 Menschen m. Handicap	127,50 <small>Studierende unter 27. Gültig für 6 Monate (September bis Februar oder März bis August)</small>	4,40 <small>Kinder ab 6 Jugendliche unter 20 Schülerinnen Lehrlinge Grundwehrdienstlerinnen Zivildienstler Family Light Menschen m. Handicap Seniorinnen ab 61</small>	1,30 <small>Kinder ab 6 Jugendliche unter 20 Schülerinnen Lehrlinge Grundwehrdienstlerinnen Zivildienstler Family Light Menschen m. Handicap Seniorinnen ab 61</small>	2,90 <small>Kinder ab 6 Jugendliche unter 20 Schülerinnen Lehrlinge Grundwehrdienstlerinnen Zivildienstler Family Light Menschen m. Handicap Seniorinnen ab 61</small> 11,- <small>Gruppe bis 5 Personen</small>	Family Family Light Plus Seniorinnen ab 61 Schülerinnen Menschen m. Handicap	Family Family Light Plus Seniorinnen ab 61 Schülerinnen Menschen m. Handicap	

+ € 0,20 bei Ticketkauf im Fahrzeug

After Fare reform 1.2.2015

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462,- 330,-	231,-	6,10 8,- <small>5-Fahrten-Ticket (1,60 pro Fahrt)</small>	1,80 2,30 <small>+ € 0,40 bei Ticketkauf im Fahrzeug</small>	4,50 5,10 <small>24h-Ticket Tages-Ticket</small>	14,20 19,90	46,20 49,90	240,- <small>Seniorinnen ab 61</small>	96,- <small>Schülerinnen und Lehrlinge bis 24 Jahre</small>
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Source: consulting project **PROBST & CONSORTEN** MARKETING-BERATUNG, 2012-2014

Innsbruck: the fare reform doubled the number of annual tickets, increased revenues and passengers without further subsidies.



- ▶ **Simplifying the fare scheme:**
Abolition of discounts and fares that do not clearly incentivise the annual pass
- ▶ **Targeted price cut** to 330 € for the annual pass (no transferability of ticket)
- ▶ Substantial **increase of single tickets** (2,70 € at bus driver's cash), weekly and monthly tickets
- ▶ **Aggressive promotion:**
All points of sale were used to promote the new simplicity as well as the price cuts

Source: consulting project **PROBST & CONSORTEN** MARKETING-BERATUNG, 2012-2014

<https://www.facebook.com/like.ivb/photos/pb.349273561835063.-2207520000.1456255629.1922370091192071/?type=3&theater>

Pricing in German and Austrian Public Transport

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Münster: Instead of a distance-based pricing we introduced a 90-min mini flat rate replacing single tickets.



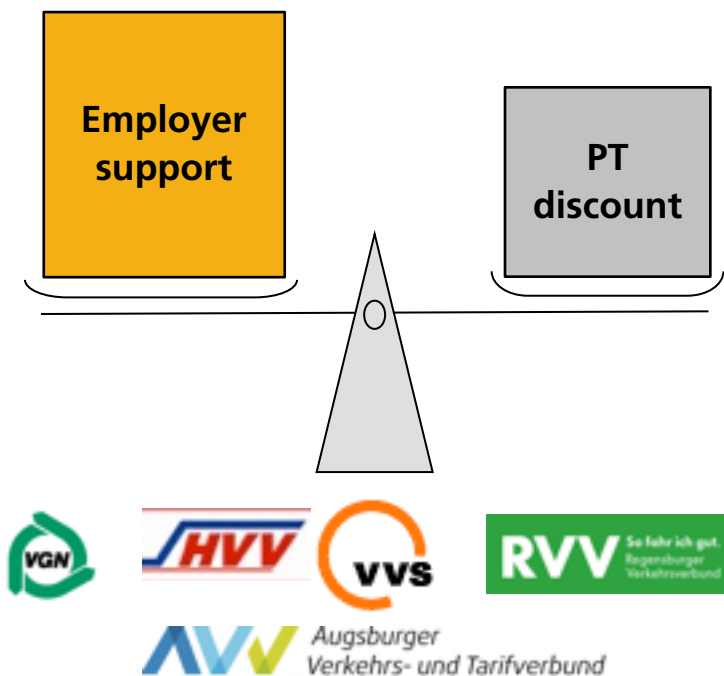
- ▶ **Reason for reform:**
State funded new ticketing technology (smart card)
- ▶ **Task:**
Using new technological means for an intelligent fare scheme in order to increase patronage in bike-centric Münster
- ▶ **Results:**
90-min mini flat rate instead of single tickets or a distance-based pricing (check-in only): more than 40,000 cards are now active
Part-time flat rate „FlexAbo“: aggressively priced off-peak monthly pass with an extra fee for peak usage: 3,000 subscriptions

Source: consulting project **PROBST & CONSORTEN** MARKETING-BERATUNG, 2013-2014

Replacing traditional volume discounts by performance discounts motivates employers to subsidise PT passes.

„PT discount only if employer subsidizes PT passes“

Economic Impact



- ▶ Key Account Management is an **independent distribution channel** for itself within the company
- ▶ Employees can ask for employers' subsidy and therefore create **pressure** within companies
- ▶ Low price for ticket owners increases its use and pass ownership
- ▶ **Crucial question:** What is the best relation of PT discount vs. employer support to leverage elasticity?
- ▶ P&C-evaluation: **A net revenue increase of over 20% within a year is possible!**

Final hint: Don't forget the integration of sales and communication as well as your most important distribution channel: your employees!



Probst & Consorten Marketing-Berating: Marketing Consultancy



We focus on passenger and revenue orientation in the public transport industry – we work for authorities, operators and railway companies.



Customer examples



Our Partners and we are convinced that a substantial increase in revenue is feasible without harming ridership in French systems!



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- ▶ **Trans-Missions** is the **partner of P&C** for the French market
- ▶ **Our services:**
 - ▶ Fare Strategies and Revenues in the context of tendering in urban and interurban public transport
 - ▶ Multimodal Pricing and Fares as well as allocation of earnings within a multimodal system
 - ▶ Discussion of targets and means in order to increase revenues
 - ▶ Modeling of new fare schemes and their effects
 - ▶ Transport on demand
 - ▶ Strategy building for authorities
- ▶ **Our goal:** Enlarge the range of manoeuvres for the public sector

Contact Information

I'm looking forward to discussing current projects with you. Please feel free to contact me today or tomorrow!



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Competencies

- ▶ Development of marketing strategies in public transport
- ▶ Loyalty management
- ▶ Pricing strategies and implementation
- ▶ Distribution strategies
- ▶ Pricing and Fare Strategies
- ▶ (Sales) Data Analysis
- ▶ Shared Mobility and its implementation in Public Transport