

## Chapter 17

### PUBLIC TRANSPORTATION MARKETING

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*Marketing is* a word used quite extensively in public transportation, but typically in a micro rather than macro context. Micro-marketing describes the activity of the individual firm as it plans, advertises, and sells. Macro-marketing, on the other hand, is the process by which a community allocates resources for the benefit of its citizens. Too often, public transportation authorities use micro-marketing principles when they should be serving a macro-marketing role.

#### MARKETING AND RESOURCE ALLOCATION FOR CONSUMERS

The terms macro-marketing and micro-marketing are often confused. Micro-marketing is the process by which a single organization understands and interacts with its customers. Macro-marketing, on the other hand, is the process by which communities assure that individual organizations provide the benefits needed by their citizens. In command economies, resources are allocated by central planning groups who develop long- and short-range plans that individual organizations are required to follow. In market economies, macro-marketing consists of policies that inhibit monopolies and give customers the ability to patronize the organizations that best meet their needs.

Typically, macro-marketing is a regulatory function, whereas micro-marketing is performed in each individual firm. Public transit authorities are unique in that they have to function as both macro-marketer and micro-marketer. This unique situation occurred when government assumed operating or funding responsibility for bus

companies that had previously been operated as regulated public utilities. When authorities were created, they received both operating responsibility and regulatory responsibility. Unfortunately, marketing as a discipline is based on micro-marketing, whereas macro-marketing has typically been addressed by economics and regulator legal precedent.

But how does an authority address this dual responsibility without falling in the trap of assuming that what is good for the transit company is good for the public? How can conflicts of interest be avoided? This conflict can arise whether the authority provides traditional transit service as an employer or as a contractor of service from a private provider. This chapter will discuss some of the issues involved with macro-marketing.

An agency or organization, whether public or private, has specific resources at its disposal. These include financial resources, which may be budgeted, endowed, or received as a result of sales or taxes; people with various skills and training; and existing facilities, including vehicles, buildings, and equipment. The purpose of the organization is to use its resources to generate benefits to society and to the holders of the resources (employees, stockholders, foundations, and funders).

In a free-market economy, customers are given a choice in the marketplace so that if they do not like the benefits that one organization provides they do not have to buy them. This stops the flow of resources to the unresponsive organization and directs funds to the organization that is more responsive to individual needs. As an alternative, organizations may receive their funds from the political budgeting process instead of the marketplace. In this case, the public has the ballot process to vote its approval or disapproval of the way funds are budgeted.

Macro-marketing problems occur when customer choices are restricted in the marketplace or when the citizen's vote is ineffective in redirecting the allocation of resources by the political process. Examples of restrictions include policies that limit innovation, lack of consumer information, seller dishonesty, and large bureaucracies that do not change in response to free elections. Long-term commitments of funds that are not responsive to changing voter mandates and the development of one-sided lobbying efforts also create restrictions. In the long run, the ability of society to use its resources to meet its changing needs is determined by the responsiveness of the resource allocation process to the voice of the consumer.

The major failing of any individual organization is to become so enamored with its current product or internal operations that it no longer considers the evolving needs of customers. The product or service then loses market share because it does not meet society's needs as well as a competitive product or service. Instead of "receiving the consumer's message," the product-oriented company often rationalizes that the product is not at fault but that the consumer is becoming increasingly irrational.

The market-oriented firm has two perspectives. On one hand, it realizes that the existing product or service delivery is not ideal, but it is the only way the firm has to maintain revenue flow. On the other hand, the firm recognizes that it must continually improve the fit between what the customer wants and what the organization delivers. The changing needs of the customer must be the focal point of the organization's

activities. Only by selling what is available today can the organization generate the funds that they need to better provide what customers want tomorrow. Tomorrow the product will change as consumer needs change, as the marketing department better understands these needs, and as the agency develops greater flexibility in deploying its resources.

When organizations become enamored with today's responses to customer needs, they do not continue to promote and encourage innovative new solutions. Once the organization loses the ability to dynamically change with customer preferences, it loses the cash flow necessary to make change possible. Equally as devastating is for an organization to become so operationally bound that it is unable to modify responses to customers. Thus the ability to respond to changing customer needs must be built into the organization.

Where transportation authorities are responsible for both operations and policy they must make sure that they do not shelter the operational side from the need to evolve in response to changing customer needs. Unfortunately, it is easy for transportation authorities faced with budget pressures to focus on cost control rather than responsiveness to customers. Once the service is no longer responsive to individual customer needs, however, it is hard to win customers back.

#### MICRO-MARKETING MANAGEMENT

Micro-marketing consists of two major components: (1) selling the agency's existing products or services in the short run so that it can obtain the funds needed to keep the agency viable, and (2) *market research*, which guides the agency's resources in developing new, more responsive products and services. The selling component includes advertising, order taking, financing, and promotional and distribution programs. Also included are activities that better inform the consumer about the existing product or service, make it easier for the consumer to obtain and use the product or service, and persuade the consumer to try it. Market research, on the other hand, determines what future products or services consumers will want and the options for delivering these benefits.

Generally, the generic sales function is well defined and understood by public transportation companies who regularly advertise, print schedules, experiment with fares, and engage in other promotional programs. (For a description of transit company marketing activities, see Chap. 16.) Therefore, the remainder of this chapter will emphasize macro-research and planning activities. Consequently, the emphasis will not be on how to get more people to ride the existing bus or subway, but rather on how to use public transportation to accomplish community objectives.

## PUBLIC TRANSPORTATION MACRO-MARKETING

An effective public transportation macro-marketing effort must address five basic questions.

1. What is the community trying to do?
2. Who must be served to accomplish the community's objectives?
3. What combination of service, vehicles, price, and promotion will have to be offered to win the acceptance of those who must be served to accomplish the community's objectives?
4. When should a specific service be initiated, expanded, revised, reduced, or terminated?
5. How should the community's public transportation authority be organized to ensure that its objectives are accomplished?

When these questions are answered, the public transportation authority can develop and implement a strategy to accomplish these objectives. Unless these questions are asked, the authority is simply operating a transportation company, not protecting the public interest.

### WHAT IS THE COMMUNITY *TRYING TO DO*?

Goals and objectives are given frequent lip service, but are seldom accomplished operationally. In many public transportation agencies, stated goals are so broad that no one could possibly disagree with them; but in daily operations the mandate is so restrictive that there is virtually no flexibility for change. For example, the goals of the urban transportation plan may be "to provide the highest degree of mobility possible to stimulate economic prosperity or the development of human resources and more efficient land use." In practice, however, the regional transit authority may view its mandate to be the preservation of the current fixed-route, fixed-schedule bus company.

Whether the operational goals are limited by public mandate, by the perspective of the operators, or by the regulatory body's vision, there is little probability that product planning will suggest alternative forms of service much different from the narrow range of services currently in operation. If the giant organizations of today had had such a restrictive mandate, IBM would process only punched cards for the Census Bureau, Standard Oil would sell only kerosene for lamps, Sears would be a mail-order house for farm supplies, and the March of Dimes would accept funds only for polio research. The reason these giant endeavors have had room to grow is that they utilized broad operational goals that allowed them to use their resources to change with their consumer's needs. The public transportation authority must likewise seek to broaden its vision of public transportation. An alternative goal may be "to accomplish transportation-dependent urban goals in the most cost-effective manner." The term effective implies two concepts. *Delivery effectiveness* is a measure of how well the

service actually meets individual customer needs. *Cost efficiency* is a measure of how efficiently it delivers the desired service.

Some of these transportation-dependent urban goals include:

1. *Increase the efficiency and effectiveness of public investment in transportation facilities and services.* For example, the life of specific facilities may be extended without expending large sums of money for new construction (for instance, people may be channeled into carpools or buses to postpone or substitute for the construction of new bridges or highways). Another example would be to eliminate the need to make long-term capital commitments in areas with rapidly changing land-use patterns that would soon make the expensive infrastructure obsolete (for instance, the use of buses, vans, and carpools to eliminate the need for new highways or rail extensions).
2. *Improve environmental quality and promote efficient energy use, stimulate tourism, and develop human and other resources.* Public transportation can make a major contribution to resolving these issues.
3. *Provide desired mobility to those who are public transportation dependent.* Most communities feel a social obligation to provide transportation to specific groups, such as the elderly, the handicapped, school children, the young, nonautomobile owners, nondrivers, low-income groups, and other special groups.
4. *Support and promote desirable land-use development patterns.* The promotion of central business district activity, the control of night or daytime traffic densities in specific areas, or the development of regional activity centers (objectives may vary among communities) are a few examples.
5. *Accommodate individuals who desire public transportation services.* Most communities are willing to provide transportation services to those who desire it or have a need for it, as long as it can be provided economically or can satisfy one of the previously stated goals or objectives.

In each case, these operational goals necessitate the identification of a specific clientele that must be transported between specific origins and destinations at specific times if the goals are to be accomplished. Thus, product planning activities can be directed to the level of services required by these specific individuals, and sales can concentrate on selling new service to the specific groups identified.

#### WHO MUST BE SERVED TO ACCOMPLISH THE COMMUNITY'S OBJECTIVE?

*Market segments* are groups of individuals who have common identifiable transportation needs. If a transportation agency does not have specific goals, there is a tendency to operate a system to "serve" all people (the general public) without consciously realizing that each of the many diverse market segments has different transportation needs. Examples of market segments include suburban commuters going to a downtown office complex at 8:30 a.m., blue-collar workers going from the older residential areas to a suburban industrial park, suburban school children going to swim

meets and ball games, senior citizens on shopping excursions, or tourists traveling between airport, motels, restaurants, and gift shops. An effort to serve all markets with the same type of service ensures that no market is served well.

Once the public transportation authority has identified its goals, it can identify the market segment that must be served to accomplish these goals. For example, if the goal is to relieve congestion on the Golden Gate Bridge between the hours of 7 a.m. and 9 a.m., the dominant market segment that must be served to accomplish the agency's goals are morning commuters who live in Marin and Sonoma counties and travel to San Francisco. If, on the other hand, the community is concerned about meeting its perceived social and legal obligations to the handicapped, the product planning activity must locate the handicapped who need service and determine when and where they want and/or need to travel. The results of this step may be a list of individuals, complete with trip origins, trip destinations, and trip times. In many cases, the list will include names, addresses, and phone numbers.

Macro-marketers realize that users have widely varying needs and that each need is time and route specific. The more diverse the needs are, the smaller the market segments that can be served with a single service. Now that suburbs are expanding not only for housing but also for employment and shopping, travel segments with common needs continually get smaller. This is not a problem for highway planning since highway networks allow the individual travelers to personalize use in many ways. Travelers can use a variety of vehicles, including trucks, motorcycles, motor homes, pickup trucks, and a large selection of automobiles, to travel personalized routes on personalized schedules to meet their individual travel needs. Frustration occurs when congestion or detours restrict the ability of the individual to customize travel to their personal needs. There is little difference between waiting 30 min for a bus and waiting 30 min in a traffic jam or between having to take a bus on an indirect route and having to drive over an indirect detour route.

In the case of highways, it is the individual user who customizes the service to make it effective. Public transportation service, on the other hand, only allows the customer either to ride or not to ride. Vehicles, schedules, and routes are already predetermined and not adaptable to modification by individual users. Unless the service can be customized to individual user needs, it must be planned on a disaggregate basis.

In general, there are three approaches to making sure that services are responsive to individual customer needs.

1. If needs are uniform among all users, large service systems may be developed. Examples include subways and fixed-route bus systems.
2. If needs are diverse, a network of facilities can be developed so that users can customize the way the network is used. Examples include highways, airports, and car rental agencies.
3. If needs are diverse and the customer cannot customize usage, then it is better to have many small operators who are "close to their customers" and can be responsive to individual needs. Examples include taxicabs, carpools, jitneys, and charter buses for tours.

In short, the key components of public transportation planning are identifying potential market segments, determining the uniformity of travel needs for each segment, and developing strategies for serving each segment's special needs. This is a continual, ongoing process. Unfortunately, too many operators and planners minimize the importance of understanding individual customer needs. Some even suggest that the primary planning role is determining equipment specifications, mapping out routes, and establishing schedules. This operational, as opposed to customer, orientation virtually assures failure since the service will not effectively meet the needs of individual customers. The heart of macro-marketing is that the service must change to meet the changing needs of customers. Market research is the process of determining what changes are desired by the customers. Sales is trying to get people to use what the operators already provide.

#### WHAT COMBINATIONS OF SERVICES WILL WIN ACCEPTANCE OF THOSE WHO MUST BE SERVED TO ACCOMPLISH COMMUNITY OBJECTIVES?

The private firm whose major goals are improving wages and stabilizing employment opportunities for its workers and increasing rates of return for investors is generally free to offer any type of product or service that is legal, acceptable to the public, and within the firm's financial, technical, and managerial capacities. Thus, rail companies have diversified into fields such as real estate, trucking, bus lines, pipelines, communications, snack foods, and hotels to better accomplish the firm's goals.

Public agencies, however, are expected to accomplish community goals within their mandate at the lowest possible costs. Therefore, the public authority should limit activities to solving community goals through various transportation schemes. Although this implies that the authority should not enter oblique fields such as hotels and food catering, it does require that the authority pursue whatever strategies meet individual user needs so that urban goals might be achieved.

The authority's success in accomplishing its objectives will be determined by how well it provides the consumer with a product or service the consumer wants. Since the customer does not care which firm actually produces, transports, stores, and finances the product, most organizations will make extensive use of many other firms. Sears once tried to manufacture as well as sell its products, but now buys virtually all its products from independent companies. Likewise, Nike relies on independent companies both to produce and to sell all their products. Taxi and trucking companies are increasingly relying on private owner-operators to provide the actual transportation, while the firm handles the dispatching, sales, and product planning functions. This increased reliance on other firms is called *networking*.

Likewise, the public transportation authority has many options available for the actual delivery of service, and its success will depend upon how well it utilizes all the options available to it. For example:

- The authority can own the equipment and use employees to operate all phases of the service.

- The authority can own the equipment and hire one or more contract management firms to provide any or all parts of the service.
- The authority can contract with private companies to provide a wide variety of services on a contractual or fee for service basis.
- The authority can encourage private operators to enter the marketplace by withdrawing from the market and regulating the private carrier as deemed necessary for the specific situation.

Accordingly, it should be recognized that the primary role of the public transportation authority is not to provide one type of transportation service, but rather to provide options that will be used so that community goals are achieved. To do this, the authority must understand the needs of various market segments and develop a mix of service strategies that are responsive to them. It is only when services are used that community goals are accomplished. If the community goals can be accomplished in several ways, the lowest-cost method should be chosen. That is cost-effective management. Specifically, the macro-marketer should:

- Determine whether individuals within the target market are currently making the trip.
- Determine the level of service to which the target market has become accustomed.
- Predict the level of service necessary to induce the target market to shift from the current mode to one that will better accomplish particular urban objectives.
- Develop schemes and strategies to effect this modal shift by utilizing appropriate combinations of vehicles, contractors, private operators, public systems, and the necessary regulatory policies.
- Select the lowest-cost scheme available if several alternatives can accomplish the modal shift necessary to accomplish urban objectives.

Once the macro-marketer has located the target market and developed a strategy for effecting the modal shift necessary to accomplish the urban objectives, it must decide on the most cost-effective method of promoting the service. In general, the publicity should focus on the target group, with as little promotion wasted on nonpotential buyers as possible. Presentations to neighborhood groups, in-plant posters, handbills, or billboards on highly traveled corridors may be effective for commuters; but notices in community clubs or health facilities may be more effective for senior citizens. Promotions in schools, YMCAs, and sports areas may better reach school-age children. In essence, specialized services should be promoted to the special groups that will use them.

The fare charged for the service should be low enough to ensure that goals are met, but high enough to recover costs. The degree of cost recovery will depend upon authority goals. Low price alone will not attract riders to a service that is unresponsive

to their needs. Payment methods are also an integral part of the macro-marketing package. For instance, exact-fare programs simplify the collection of fares, expedite loading, and reduce robbery potential. Subscription fares and monthly passes provide the same benefit and encourage the rider to make a one-time commitment to continue riding. Use of credit cards, as is being demonstrated in the lower Naugatuck Valley of Connecticut, has benefits in data collection and elimination of coin collection, allows pricing flexibility, and reduces out-of-pocket payment bias. Payroll deduction programs offer the additional advantage of making the purchase of tickets easier to budget. Employer sales of tickets, especially when accompanied by an employer's strong promotional program and partial subsidy, greatly strengthen the incentive for the worker to ride on a regular basis. Other groups who have similar goals may want to participate. Shopping centers, for example, may be willing either to subsidize a shopper's fare or to supply a vehicle and driver to provide service, if encouraged by the public authority.

Once a service is offered to a specific market segment, it is important to monitor the success of that service to ensure not only that the urban goals are achieved, but also that the service changes to meet the evolving needs of the user. This feedback can best be obtained from someone who is in close contact with the target market. Vanpool programs usually rely on the driver to maintain rider enthusiasm. Company commuter programs may rely on a plant coordinator. Subscription buspool programs often rely on a "busmeister." It does not matter who provides the feedback as long as someone has the responsibility, motivation, and authority to make changes to keep the consumers satisfied and to relay complaints, problems, and observations to those responsible for the service provided. As a general rule, the closer the coordinator can be to the customer the more responsive the service to individual customer needs.

#### WHEN SHOULD THE SERVICE BE REDUCED, REVISED, OR POSSIBLY TERMINATED?

Public transportation, like all products or services, has a definite product life-cycle. The product life-cycle concept is a recognition that any new service or product when first introduced into the marketplace requires a period of time before it is widely accepted by consumers. During this period, sales increase, slowly at first and then more rapidly, as consumers become aware of the product's benefits. Then the sales of the product level off as it saturates its intended market segment and ceases to attract new users. Soon the service may begin to lose market share to a new product that better meets the new needs of the target market. If the service offering is not modified to keep pace with the changing needs of the consumer, sales will diminish until at some point the authority must decide that it is time to discontinue the product or service. Likewise, transportation authorities should continue to monitor ridership for each individual service offering to determine where it is in the product life-cycle. They should have firm guidelines showing when to promote and expand and also when to discontinue service.

Unlike private firms, public agencies have a political and social obligation to continue a service whose absence would produce a severe social consequence, even

though demand is very low. This political pressure to continue sparsely used runs is at the root of much of the criticism of traditional public transportation. The operating company is criticized if it does not provide the service, but if it does provide the service, it is criticized for operating empty vehicles and incurring large deficits. Thus, it is imperative for the politically astute authority to develop alternatives that allow lower-cost ways of continuing to service this segment. The authority should avoid the "all-or-nothing" dilemma, which generates such strong criticism regardless of the decision to continue or discontinue service.

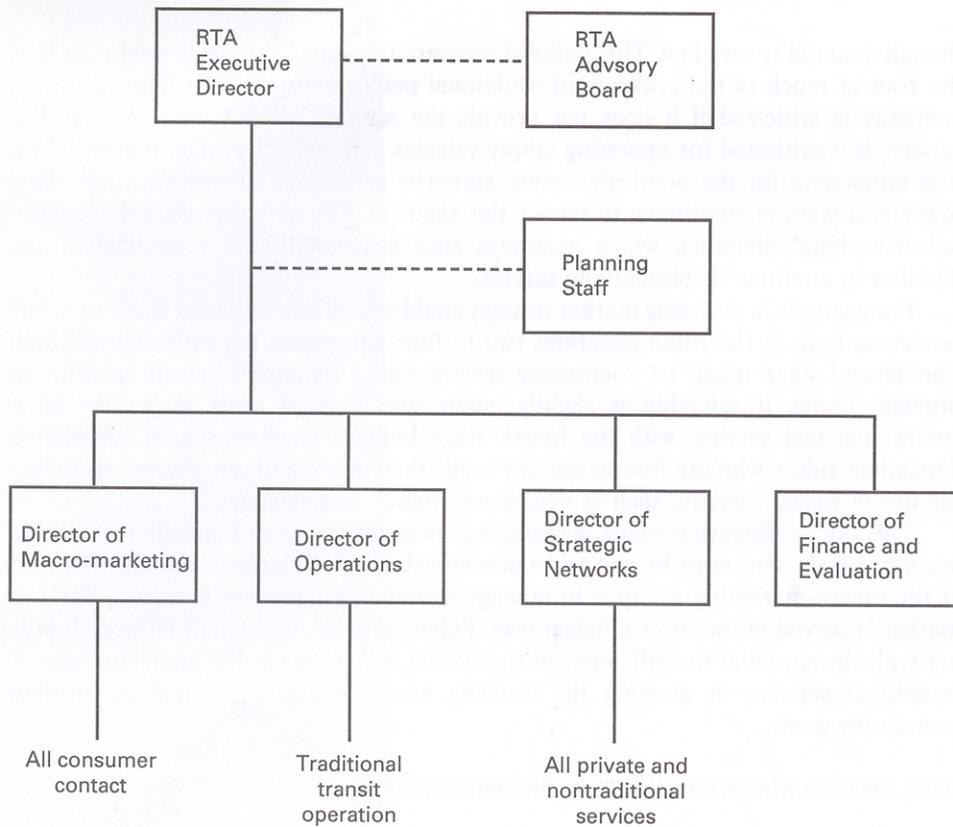
For example, a declining market strategy could consist of continuing traditional bus service as long as the route generates two to four passengers per mile of operation. The second stage might be contractual service with a limousine or van operator to provide service if ridership is slightly below this level. A third stage may be a contractual taxi service, with the fourth stage being a voucher system subsidizing dependent riders who are free to use any mode they desire and can obtain—including the use of casual carriers, such as neighbors, friends, and relatives.

The key to effective product planning and management is to remember that there are individuals who must be served to accomplish urban objectives and that the role of the macro-marketing group is to manage community resources to ensure that the market is served in the most efficient way. Public criticism of public transportation is not typically aimed at the efficiency of the system, but rather at the ineffectiveness of traditional services in meeting the evolving needs of customers and in meeting community goals.

#### HOW SHOULD MACRO-MARKETING BE ORGANIZED?

Macro-marketing must be located at a level high enough so that it will not be biased by individual organizational loyalties. For example, if all product and financial planning for Ford Motor Company were done by the Lincoln—Mercury Division, it is highly unlikely that Ford would ever consider the development of farm machinery, industrial equipment, lawn and garden supplies, home appliances, and computers. Likewise, the macro-marketing function in public transportation must be performed at a high enough level so that it considers all transportation alternatives, rather than merely perpetuating existing operations.

Considering the traditional orientation of regional transportation authorities (RTAs) and the public takeover of existing providers, the organization illustrated in Fig. 17-1 is suggested. Under this organization, the public transportation authority would completely divorce itself from any one form of public transportation, but would be responsible for promoting whichever combination of services that would best meet public needs. This is extremely important now, as public expectations for service, especially in the low-density suburban areas and during the peak-hour commuter periods, are simply beyond the ability of traditional bus and rail companies to serve at a reasonable cost. Unless alternatives are developed to meet these needs, the growing taxpayer rebellion may greatly reduce financial support for the transportation agencies.



**Figure 17-1** Suggested organizational structure for a market-oriented public transportation agency. This organizational chart is actually a transitional organization that is necessary because of the heavy operational orientation of existing RTAs. Once the potential of the full family of services becomes reality, the director of operations and the director of strategic networks could be merged to become the manager of services. While the RTAs are so extremely oriented toward operations, the director of strategic networks is needed to serve as an advocate for the other options. Once the RTA can become user oriented, then an advocate for other options is no longer needed since the director of services will promote that combination of services that best meets community needs.

By publicly acknowledging what traditional systems can and cannot realistically do and by developing the multimodal coordinating role of the authority, unrealistic expectations of the traditional systems can be diffused and new types of services to serve suburban residents and commuters can develop. Under this organization, the authority could have the same relationship with the traditional transit systems as they would with private carriers, vanpools, taxicabs, school buses, church buses, human services agencies, commuter bus clubs, and any other evolving services. The director of macro-marketing would become the focal point of citizen input, research into service-level requirements, and all the other activities suggested in this chapter.

The director of operations would be responsible for ensuring that required service levels are met by the traditional transportation system. The director of strategic networks would be responsible for contracting with private operators to provide service to the authority and for overseeing the regulation and promotion of the private sector. The director of finance and evaluation would be responsible for evaluating the cost effectiveness of all the alternatives currently in operation, for coordinating funding, and for billing and paying the users and suppliers of transportation.

In essence, macro-marketing provides the intelligence required to determine what is needed and develops service strategies to meet those needs. Operations provides traditional services; strategic networks develops and promotes new options; and finance evaluates operations and makes sure the community gets the best value for the expenditure. Jointly, a committee composed of the four directors reporting to and including the executive director is responsible for handling the coordination, budgeting, and planning of all transportation services with the support of the planning staff. The regional transportation board is responsible for setting policy and overseeing the directors.

Once a strategy for each problem area is developed by the executive committee, each director carries out his or her responsibility. Marketing sells the program, operations ensures that traditional service is available if appropriate, strategic networks ensures that new options are developed, and finance makes sure that the region is receiving the most cost-effective service. The organization can fully expect that over time traditional operations will probably decline and the nontraditional options will become dominant. This is as predictable as the shift from vacuum tube to transistor to integrated circuits or the shift from stagecoach to air travel.

This organization will sound unusual to those who view government's role in transportation from the highway perspective, where government's role has been limited to the planning, designing, and construction of fixed-facility networks. The only function of government was to plan alternative construction projects and to hold public meetings (1) to eliminate duplication of projects, (2) to ensure the proper interface between completed facilities, and (3) to rank the proposed projects according to community desires. Now, with the continually growing number of vehicles on already congested highways, the completeness of the interstate system, and growing resistance to new highway construction, especially in urban areas, transportation efforts are shifting from a planning role to a macro-marketing-management role. The macro-marketing-management role will consist of increasing vehicle throughput on the highways and increasing the number of people carried in each vehicle. Therefore, the organization needs to be restructured to reflect the new role.

### MARKETING STRUCTURE

Fundamental to understanding the potential for using various combinations of service delivery mechanisms is understanding the smallness of market segments. The

popular book *Service America!* stresses the need for the upside down organizational structure rather than the traditional military (authoritarian) model used for production and planning activities.<sup>1</sup> According to this model, service success depends upon the "moments of truth" when each individual "customer contact person responds to individual requests made by the customer. To the customer, the customer contact person is the company. If the customer contact person is responsive, the company is responsive. Since success depends upon the responsiveness of the individual customer contact person, he or she should be given the greatest possible flexibility to respond to diverse customer needs. Service blueprints may be used to better understand the diversity of customer needs. This technique uses flow charts to describe the interaction between the customer and the service provider to help the organization see itself from the customer's perspective.<sup>2</sup>

The upside-down organizational chart suggests that the customer contact person should be at the top of the organizational chart and that the role of management is to facilitate the ability of the customer contact person to respond to the customer. This approach is part of the restructuring efforts undertaken by many organizations as they reduce the number of management levels in the organization. The concept is "the organization exists to serve the needs of the people who are serving the customer."<sup>3</sup>

Another finding is that small organizations are much more cost effective in developing new markets. Small organizations can stay "close to the customer."<sup>4</sup> If these small development groups are part of a larger organization, they must be protected from all the administrative and bureaucratic requirements that so often restrict a group's ability to respond to changing customer needs. These small groups have been called "skunkworks."<sup>5</sup> One study has suggested small groups provide 24 times the innovation per dollar of expenditure as large organizations.<sup>6</sup> The small organizations can respond to individual needs by developing and testing prototype services. Once the prototypes are developed, they can be discontinued, modified, or changed any way that will improve customer acceptance.

A champion is typically necessary to force change through the organization. Peters and Austin quote Brian Quinn of Dartmouth's Tuck School who said, "It was difficult to find any successful major innovation derived from formal product planning rather than the championship process." A Bell Labs vice-president echoed the sentiment when he said, "I can't think of anything that ever came directly from the new product planning process."<sup>7</sup> Customer-oriented innovation often comes from small, responsive groups of dedicated champions.

Even the Urban Mass Transportation Administration blames the lack of public transportation success on overcentralization and control. Two factors are identified: (1) the use of a single organization to provide public transportation, and (2) the commingling of policy making and operating responsibility under the same authority.<sup>8</sup> Under this model, policy makers tend to be more interested in protecting traditional operating systems (micro-marketing) than in serving diverse, changing customer needs (macro-marketing). Thus, the environment for new product champions is nonexistent. A body of literature is beginning to develop in strategic network management that could also assist public transportation market planners.<sup>9</sup> Network management is concerned with managing relationships between independent organizations and

between departments within the same organization.<sup>10</sup> Jarillo suggests that the study of organizational interaction has typically been limited to understanding bureaucratic relationships and marketplace relationships. Each of these relationships is based upon zero-sum game concepts. That is, the seller must lose for the buyer to win. Network management, on the other hand, is a non-zero-sum game approach to relationships. It looks at the relationship as a total system. For example, in business logistics it is well recognized that the producer does not win by forcing the retailer to overbuy or the carrier to pay for extensive damaged freight. The network manager looks at the entire system and may develop electronic data interchange techniques to ensure high turnover of his or her products on the retailers shelves or improved packaging to reduce freight claims. Thus everyone wins.

It is unfortunate when public transportation agencies use a systems approach to operations planning but cannot visualize the solution of community goals from a network perspective. Once the public transit agency can see beyond operating their own service or contracting for specified services, they will realize that many cost effective options are available.

A 1989 study examined strategic networking of public transportation and found many options for providing public transportation services.<sup>11</sup> In fact, it is probably more cost effective to develop many small independent providers who serve a limited geographical or customer base but can provide a diversity of services than to operate many single-purpose systems that cover a large geographical area. For example, communities now have areawide rail systems, transit systems, school bus systems, elderly and handicapped (E&H) systems, tour systems, charter systems, and so on. Since most trips are over limited geographical areas, would it not be more cost effective to encourage the development of local neighborhood carriers who were close to their customers and could serve diverse local needs to school, shopping, meals, and sports and even for weekend charters? Carriers must provide a high level of service to be successful. To provide a high level of service, they must solve individual travel needs. This is a role for small organizations that enable and empower their employees to respond to individual travel needs. Large, inflexible, bureaucratic organizations cannot do this.

### SUMMARY

If government is going to assume the role of ensuring that public transportation is available to accomplish urban goals, it must develop cost-effective delivery methods. It is not enough to simply lobby for funds to preserve traditional delivery systems. Individuals chose their travel methods as solutions to their specific travel needs. Each selection is situation specific. Unless the public authority has developed a delivery system that is responsive to diverse individual needs, individuals will opt for solutions that may not meet public goals. For example, if the hassle of using public transportation

to find a job is too great, individuals may elect to rely on public assistance instead. If the hassle of making bus transfers is too great, commuters may elect to drive instead. If the hassle over van- or carpool insurance is too great, drivers may elect to drive alone instead of pooling.

Operating in a competitive environment where the public is free to choose presents a great challenge. Many firms fail each year and cease to exist and the cost of their failure is also great. Organizations that succeed must develop customer-oriented delivery systems rather than focusing on operating systems. This is more difficult.

It is much easier to design systems when the design is not complicated by individual customer needs. Customers can be fickle. Individual needs are diverse and may change rapidly. Customer needs are not standard. It is much easier to treat customers as standardized clones with standardized needs. Based on these standardized needs, an "optimum" system can be designed. Macro-marketing, however, recognizes that unless the more difficult human needs are served the system is not successful.

If public transportation is to be successful in accomplishing urban goals, it must be allowed to change to match changing conditions. Where restrictive regulation inhibits change, where contracts and franchises eliminate innovative competition, where governing boards stifle services, where narrowly defined operating mandates merely protect and preserve the traditional over long periods of time, there is no role for marketing since the service offering cannot change to keep pace with evolving consumer needs. If, on the other hand, urban goals and citizens' needs become the focus of public transportation, then macro-marketing will become a key function in the authority's effort to serve the community.

## REFERENCES

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### EXERCISES

- 17-1 Why did UMTA point to single providers and commingling of operations and policy making as the major cause for public transportation's lack of success?
- 17-2 What is the product life-cycle concept and how can it be applied to public transportation?
- 17-3 What is the difference between macro-marketing, micro-marketing, and selling?
- 17-4 Contrast and compare the customer-oriented versus operations-oriented delivery system.
- 17-5 Why are small "skunkworks" organizations able to be more responsive to customer needs?
- 17-6 What is strategic network management?
- 17-7 What are some of the alternative delivery systems that a public authority might pursue?
- 17-8 For most transit authorities the director of operations manages the bulk of the authority's activities. Can you imagine a scenario where this might change? Explain.

