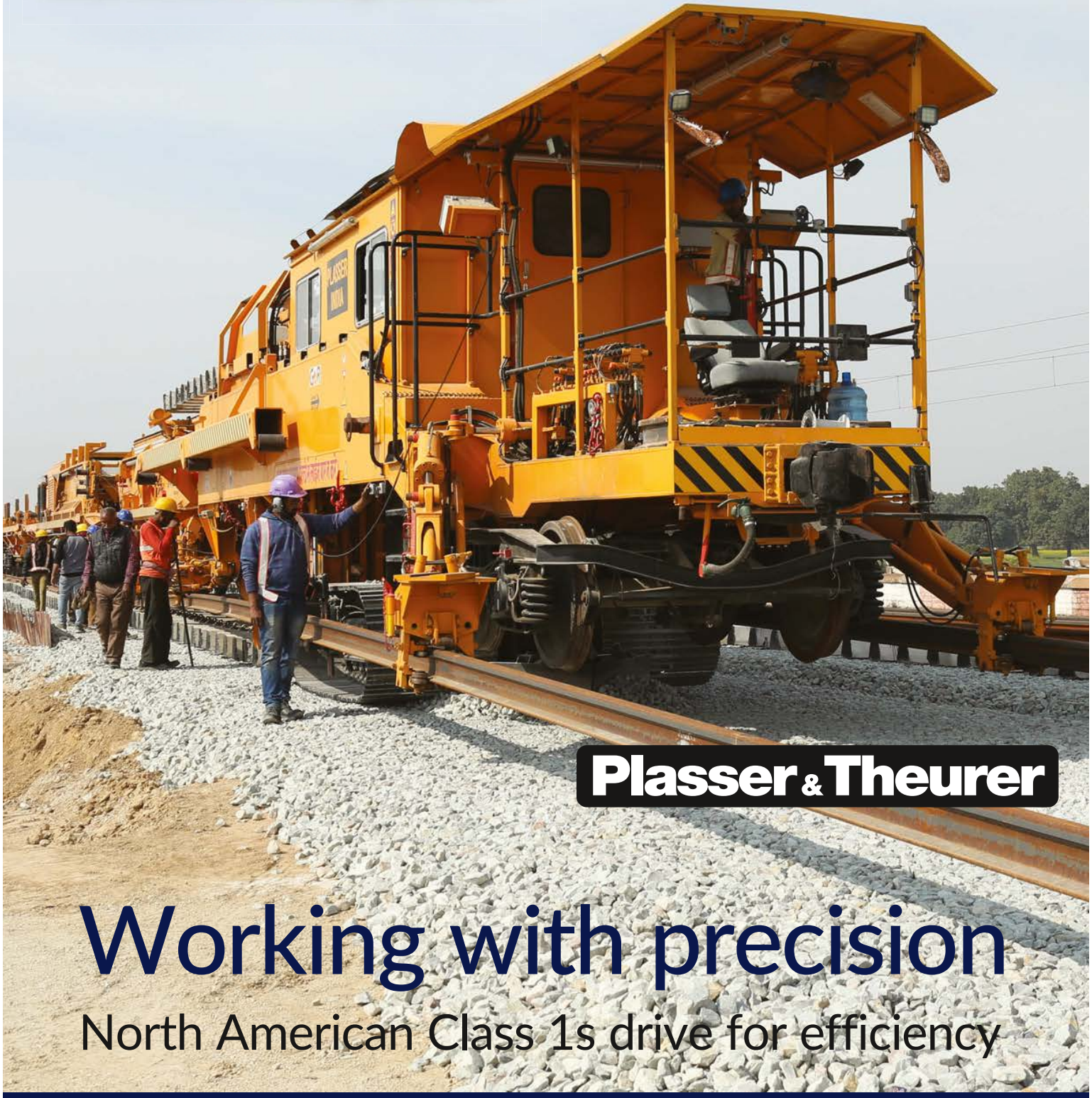
September 2019 | Volume 59 Issue 9
www.railjournal.com | @railjournal

IRJ

International Railway Journal



Working with precision

North American Class 1s drive for efficiency

Mauritius light rail • Rethinking Amtrak • Riyadh metro

US transit falls behind the digital curve

A recent study of US transit operators found that a significant number are failing to take advantage of the opportunities afforded by mobile and digital technologies to increase ridership and revenues. **Mike Lambrou**, vice-president and head of sales, ground & sea, Europe at CellPoint Mobile, looks at the challenges facing these operators and the potential rewards on offer when adopting these technologies.

TRANSIT operators in the United States face a variety of business challenges when attempting to modernise the passenger experience through mobile functionality. While many in the industry see an urgent need to adapt to digital shifts in transport as a whole, there is no clear way forward guiding organisations to a workable strategy and ultimately greater profits.

A recent industry report from CellPoint Mobile explores these major obstacles as well as opportunities in the US mass transit, ground transport and rail sectors. The report details the rising cost of acquiring new riders, mobile technology limitations and outdated procurement processes. Equipped with these insights, key railway personnel can make a clear case to management to introduce transformative digital solutions.

While many transport operators want to implement new mobile solutions to smooth the travel purchase journey and unlock revenue growth, this first requires technological investment in equally new approaches to procurement and more versatile, innovative solutions. Introducing sweeping changes is a major challenge in an industry that tends to evolve only gradually. However, by using these digital platforms, rail operators can create efficiencies and acquire new riders by implementing passenger-centric changes.

The report, *Challenges Facing Municipal, Regional and National Transit Agencies in the United States*, examines the key challenges facing the ground transport and mass transit markets, focusing on how consumer technologies (particularly smartphones) are making travel and transport more convenient, efficient and profitable.

The report argues that as mobile technology empowers passengers to travel more frequently and self-schedule complex itineraries, rail operators should update their mobile strategies and consider adding new mobile capabilities which meet the evolving expectations of mobile users. For example, the majority of millennials sampled in our study use two to five modes of transport per trip (52%). Younger travellers indicate the future direction that rail operators should take by expressing their preference for transport apps and the omni-channel passenger experience as a whole.

Based on a survey of 103 ground and mass transit operators in the US, the report reveals how operators face a set of barriers to adopting the unified digital strategies that today's transit riders expect. The report also highlights the emerging role of Mobility-as-a-Service (MaaS) and similar technological innovations in an increasingly digital economy to serve commuters and tourists with services including ridesharing, e-hailing and car-pooling. For example, only 30% of US mass transit providers currently collect fares through a mobile app, and only 39% have an app at all, putting them at a clear disadvantage over ridesharing and other transport providers.

Photo: Metro Transit

The report says the transit operators have an opportunity to create efficiencies and acquire new riders by introducing enhanced mobile capabilities.

As both "B-to-B" organisations and market-driven businesses, mass transit operators grapple with a unique set of challenges. But with ridership increasing across many regions, transit operators have an opportunity to create efficiencies and acquire new riders by introducing enhanced mobile capabilities and digital connectivity.

> Owning groups and operators should take advantage of the ubiquity of passengers' mobile devices to make their trips more efficient and convenient.

Conditioned by ridesharing services like Uber and Lyft - as well as many other daily ecommerce interactions - US consumers expect a streamlined mobile experience, particularly for scheduling and payment options. Our study found that 45% of respondents use ridesharing programmes. A typical mass transit journey, with legacy ticketing and payment systems, presents a stark contrast to the expectations of today's travellers. However, US transit operators are met with several market and organisational limitations, which must be resolved before they can begin to address the demands of digital passengers.

These challenges include:

- **Catering to a mobile-centric population:** of all the challenges outlined in the report, the practical difficulty of implementing mobile solutions is most impactful from the consumer/rider perspective. 23% of national operators and 24% of large transit agencies (1K-10K employees) say that implementing mobile technology poses their single biggest challenge. Meanwhile only 42% of respondents have downloaded a transport-related mobile app. This represents a significant opportunity for transit companies to grow their digital footprint and revenue.
- **Disconnect within organisations:** only 17% of US transit operators responsible for payment and ticketing cite rising costs as their biggest organisational challenge. This contrasts with 31% of those in IT, and 29% in project management.
- **The procurement roadblock:** about a third of US operators say they are unable to change their procurement process (31%) but also state that the process is too slow and lengthy (30%). These responses indicate that many processes are still outdated and cumbersome and spending and investment priorities across organisational departments and roles are often mismatched.

Transport operators can surmount these common challenges by creating technological, cost, and operational efficiencies while simultaneously improving passenger experience. Transit apps, mobile ticketing, streamlined payments and a focus on meeting riders' needs are all actionable solutions.

New options are available to rethink revenue strategies. These include immediately prioritising the development and optimisation of mobile apps to meet the overwhelming demand among today's connected travellers and facilitating the rise of MaaS. Technology investments should start with immediate/everyday challenges that impact the passenger experience and keep costs high, such as transit apps, mobile ticketing and streamlined payments.

For example, operators can easily implement simple payment and ticketing solutions to mitigate rising costs. In fact, the right mobile solutions can drive revenue and increase ridership concurrently by offering the same ease and convenience provided by rideshare services. Real-time notifications via a mobile device is another obvious way to improve the mass transit experience. Integrating the mobile channel into larger business objectives will not only help to reduce costs, but also acquire new riders and improve satisfaction among existing passengers. In fact, "convenient booking/ticketing process" and "in-app payments" were the number 1 and 2-ranked features of transit mobile apps in our rider survey.

If owning groups and operators can generate more ancillary revenue from mobile passengers - while also making their end-to-end journey more convenient - this will inevitably result in a more profitable industry built on the unique functionalities of the mobile channel.

Digitisation enables transit agencies to streamline their path-to-purchase in order to meet evolving passenger payment expectations. As the rail sector continues to invest in intelligent mobility solutions, owning groups and operators should take advantage of the ubiquity of passengers' mobile devices to make their trips more efficient and convenient. Implementing mobile functionality also generates new revenue opportunities through the mobile channel.

While the report's findings point out some serious challenges facing US ground transport operators, they also indicate how operators can conquer these difficulties by implementing mobile solutions to increase ridership, streamline procurement processes and reduce costs. By incorporating the smart capabilities of digital and omnichannel interfaces, transit operators can stay connected to the larger online economy, reduce costs, capture new revenue and also drive revenue growth.

Going digital and using technological innovations such as MaaS, mobile ticketing and alternative forms of payment can deliver the value and convenience that today's passengers have come to expect from every transaction. It can also help improve their satisfaction with the service on offer. **IRJ**

Key findings

- 40% of respondents report that having to carry cash or exact change was the most frustrating part of paying for transit, indicating railway opportunities in the form of mobile ticketing
- 46% say it's "very" or "extremely" important to be able to pay with alternative payment methods (APMs) as opposed to 25% for those who haven't ridden mass transit within the past year
- fare discounts (40%) are most likely to incentivise respondents to download a transit app, followed by making payments easier (34%) and reducing the need for cash (31%)
- one-third (34%) of respondents say that using APMs to pay for fares or tickets is "very" or "extremely" important
- only 37% purchase something in addition to a ticket/fare when travelling on transit, representing a missed opportunity for ancillary sales and revenue growth, and
- millennials are most likely to be incentivised to download an app by easier payments (41%) and easier booking and ticketing (31%).