

FOUR-WAY MARKETING TEST

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SCRTD Market Research
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INTRODUCTION

In the spring of 1980, the Marketing Department developed a program aimed at increasing revenues. Specifically, the program was intended to improve ridership among a group of underutilized lines. The method of promoting use of these lines was to distribute free-ride coupons good only on a particular line.

The District has had free-ride coupon promotions in the past. Newspaper inserts have been used for these prior promotions. It was suggested that a test program be designed to measure the relative benefits of other methods of distribution.

The test program proposed that an attempt be made to determine if one method of free-ride coupon delivery was superior to others. Also, it was proposed that measures be obtained about the extent to which free-ride coupons are successful in generating new riders for the lines being promoted.

Accordingly, the Four-Way Test was designed to address the following concerns:

- How effective are line-specific, free-ride coupons in improving ridership on underutilized lines?
- Are there significant differences in response by the method of free-ride coupon distribution?

- What proportion of free-ride coupon users are new RTD riders, and how likely are such new riders to continue using the RTD?

HIGHLIGHTS OF TEST

- Average weekday boardings, systemwide, declined by about 2% during the quarter following the coupon promotion from the preceding quarter. Monthly averages systemwide increased 4% from September, 1980 to February, 1981 (these are roughly comparable to pre- and post-coupon line counts). During this same period, ridership on the lines promoted with a free-ride coupon increased by 18% or more.
- Nearly one in four coupons was redeemed by a non-rider. If the other three-quarters of the coupons which were redeemed by current riders were used for trips they would be making anyway, the line counts would not have been impacted to the extent they were. Thus, the trips made by current riders with redeemed coupons were in addition to their regular trips on the system, increasing the frequency of their use.
- New riders who redeemed coupons indicated a relatively high intention to continue using the system. Perhaps a follow-up of this group would be in order to determine what proportion actually did so.
- Cost implications indicate that of the three methods used to deliver coupons, direct mail and door hangers are superior to newspaper inserts.

TEST METHOD

The Planning Department had identified about two dozen lines as being underutilized. From these lines, four were selected for test purposes. Lines 161, 445, 446 and 822 were chosen because they could be matched to the extent possible on various line characteristics. These characteristics included days and hour of operation, level of service and type of service. (A profile of each test line is contained in the Appendix.)

For purposes of this evaluation, lines 161, 445 and 446 were designated as test lines. This meant that a different method of delivering free-ride coupons would be tested on each line. Thus, homes within two blocks of the route of line 445 received a free-ride coupon, good only on line 445, delivered to their home by mail. Homes within two blocks of the route of line 446 had their free-ride coupon hung on the door handle of their home. Home delivered issues of the Daily News carried an insert with a free-ride coupon for line 161. (Only carriers whose delivery area approximated the length of line 161 carried papers with the newspaper insert.)

Line 822 was designated as the control line. There was no free-ride coupon promotion for this line. Following is a summary of the test procedure:

<u>Line</u>	<u>Method of Delivery</u>	<u>Distribution</u>
161	Newspaper insert (coupon was placed inside home subscribers' copies of the <u>Daily News</u> ; delivered by regular news carrier)	30,000*
445	Direct mail (coupon sent by first class mail; delivered by postal carriers)	10,000
446	Door hanger (coupon hung on door handle of residences by direct-mailhouse deliverymen)	10,000
822	No individual line promotional activity (control line)	

*More coupons were delivered because Daily News carriers covered a greater than two-block area along route of line.

The free-ride coupon itself consisted of a rectangular piece requiring the user to fill in name, address and daytime phone number before giving the coupon to the bus operator. The coupon also contained a statement promising to send the user a "token for another free ride on any RTD bus route of your choice." (Samples of coupons are shown in the Appendix.)

TEST MEASURES

All four test lines had had a line count conducted within six months of the start of the promotional program. These counts were used as the "before" measure for this test. Three months after the coupons were distributed, another line count was taken, and served as the "after" measure for this test.

Two separate telephone surveys were conducted 10 weeks apart after the promotion. One survey was among a random sample of 100 households receiving coupons per experimental line. The second was a survey among those who had redeemed their free-ride coupon. Results from these surveys are used to determine whether coupon users are new RTD riders, their intention to continue using RTD and frequency of RTD use.

Finally, a tally was kept of all coupons redeemed to get an additional measure of the drawing ability of the coupons.

ANALYSIS

Line Checks

The line counts done before and after distribution of coupons, strongly support the conclusion that free-ride coupons increase ridership.

Applying a standard formula for measuring the impact of the coupons on ridership, it was found that all three experimental lines showed significant increases in ridership levels:

445 (direct mail)	+22%
161 (newspaper insert)	+21%
446 (door hanger)	+18%

Comparing test results to other line counts is tempting. However, there are few other lines comparable to the test lines. Lines 441, 451 and 452 are three lines that are similar in line characteristics -- and had line counts taken at about the same times as the test lines. During the test period, these three lines declined in ridership an average of 15%. (This decline may be artificially high because the second line count was conducted the day after a national holiday. Many people tend to take that day off also for an extended weekend).

While the test lines were not at all representative of the total system, being underutilized lines they would be

expected to decline more than the system -- if overall system ridership declined. Conversely, if overall system ridership increased, underutilized lines would be expected to show smaller increases.

Overall system ridership figures are compiled by the Service Analysis Section. Average weekday boardings during the first quarter of 1981 (after coupon promotion) was down about 2% from average weekday boardings during the last quarter of 1980. February, 1981 boardings were up 4% from September, 1980 boardings. In both instances, the test lines performed better than the system averages. The only condition affecting the test lines, but not all system lines was the free-ride coupon. Thus, it may be concluded that the free-ride coupons did indeed increase ridership.

Coupon Redemption

Direct mail and couponing experts agree that the rate at which coupons are redeemed varies tremendously by what item is being offered, the value of the coupon, the method of distribution and even the time of year.

It is further agreed that each industry has different coupon redemption rates. Thus, while a 1% redemption may be excellent for one industry, another industry may require a much higher rate of redemption. Industries, and firms within industries, need to establish their own norms.

At present, the transit industry has no normative data for bus coupon redemption rates. The District has some data from previous free-fare coupon offers using newspaper inserts. Data for 11 lines promoted by free-ride tokens via newspaper inserts show an average redemption rate of .34%, and a range of .11% to .93%. While these data are not directly comparable to the present test, they do provide some insight to redemption rates for free-ride offers through newspaper inserts.

The coupon redemption rates for this test were as follows:

Direct Mail (445)	1.92%
Door hanger (446)	1.32%
Newspaper insert (161)	.55%

While at first glance these rates may appear low, they are consistent with the ridership increases noted in the line

counts. Thus, if a less than 2% coupon redemption rate is comparable to a 20% ridership increase, this may be a successful benchmark for RTD promotions.

Future free-ride offers should be closely monitored, so that the District may establish its own norms and expectancies.

Surveys

Results from the first survey (conducted two weeks after coupon distribution) indicated a very high level of awareness of the coupon. More than 90% of households which had received a coupon remembered receiving it. The proportion of those who said they had used the coupon, or intended to use it, was consistent with the coupons actually redeemed.

Survey results showed that the coupons were used by a disproportionately higher percentage of existing bus riders. In other words, while more than half of those who received a coupon were RTD users, more than three-quarters of those who redeemed their coupons were RTD users. This finding is consistent within the couponing industry. In most coupon promotions, one of the objectives is to increase usage among existing users. In this RTD test, although it was not listed as one of the test objectives, increased frequency of riding among existing riders was one of the outcomes.

Non-riders who redeemed a coupon indicated fairly strong intentions to continue using the system. In fact, two-thirds of the non-riders who had received their free-ride token (sent after they redeemed the coupon) had already used it, or intended to do so within a week.

Cost Implications

One final measure for evaluating this test is the cost implication of each method. The following table shows the total cost of each method of coupon delivery. The cost shown includes the direct cost of the promotion as well as revenues lost as a result of existing riders using the free-ride coupon.

	<u>Total Costs</u>	<u>No. of Units Distributed</u>	<u>No. of Units Redeemed</u>	<u>Cost per Unit Distributed</u>	<u>Cost per Unit Redeemed</u>
Newspaper	\$9,102	30,000	165	30¢	\$55.16
Direct Mail	3,392	10,000	192	34¢	17.67
Door Hanger	2,958	10,000	132	30¢	22.41

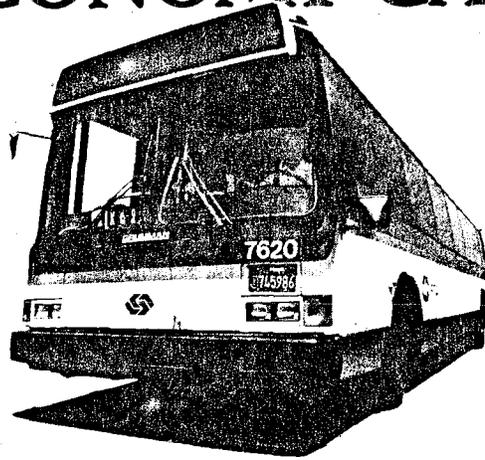
APPENDIX

A-I
PROFILE OF TEST LINES

- Line 161 - Operates M-F, 7 a.m. - 8 p.m.,
60-minute headway.
This line operates about 18
miles between Westlake Village
and Topanga Plaza through Agoura.
Several shopping centers and
employment complexes are adjacent
to the Route.
- Line 445 - Operates M-F, 6 a.m. - 9 p.m.,
60-minute headway.
Providing service in the Eastern
portion of the San Gabriel Valley,
this line serves three major
shopping centers and several
colleges.
- Line 446 - Operates M-F, 6 a.m. - 11 p.m.,
60-minute headway.
This 24-mile line originates at
the El Monte Busway Station and
terminates at Cal Poly in Pomona.
Along its route are several
shopping centers, a hospital
and Mt. San Antonio College.
- Line 822 - Operates M-F, 6 a.m. - 8:30 p.m.,
60-minute headway.
This 21-mile line serves the City
of Commerce and the Whittier Quad
primarily along E. Washington Blvd.,
Mulberry Drive and La Mirada Blvd.

A-II
SAMPLES OF COUPONS

TEST RIDE OUR ECONOMY CAR.



The cost of maintaining a car these days makes RTD the best transportation bargain around. We're about to make it even better. We're going to give you two free rides.

With the coupon below you can ride the RTD, anytime. Free. It's good for a free ride only for the line shown on the back. That ride will get you a number of shopping centers, schools and businesses, quickly and conveniently. As an added bonus, when you turn in the coupon, RTD will send you a beautiful golden token good for another free ride on any RTD bus route of your choice, at any time.

With RTD, you can forget about your car and still get all those errands done. And with the coupon below, you can forget about the fare.

Try RTD today, on us. Then make our economy car your economy car, every day.

Fill out this coupon before boarding the bus, then turn it in to the driver and we'll send you a golden token good for another free ride on any RTD bus route of your choice. Have a pleasant trip. On RTD.

FREE.

Complete this coupon before boarding and give it to the driver. It's all the fare you'll need. As an added bonus, when we receive your coupon, we'll send you a beautiful golden token for another free ride on any RTD bus route of your choice at any time.

Name _____

(PLEASE PRINT)

Address _____

City _____

Zip _____

Daytime

Phone _____

You are: MALE FEMALE You are a: Regular
Rider Infrequent Rider New Rider

This coupon is good only for the line shown on the reverse side.



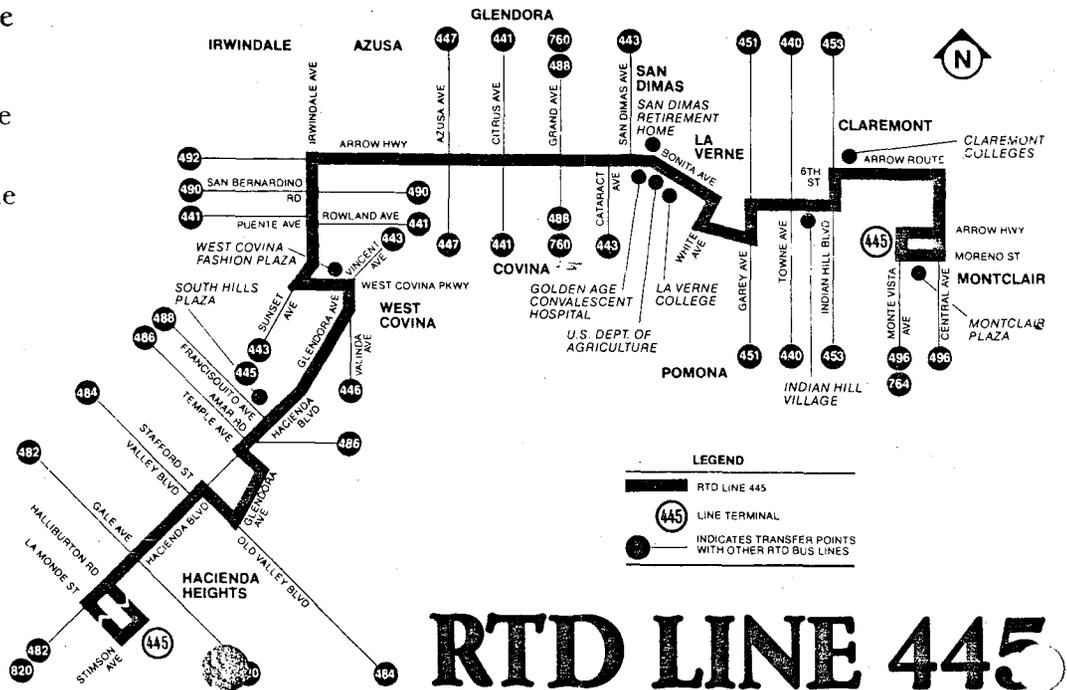
Hacienda Heights to Montclair. Free.

You can cover a lot of territory on RTD's line 445. And with this coupon, it won't cost you a cent. Stop for shopping and lunch at Montclair Plaza, South Hills Plaza or West Covina Fashion Plaza. You'll be just a few steps from any of the dozens of shops and business establishments along Arrow Highway and Bonita Avenue. And you can reach classes at LaVerne College or the Claremont Colleges without changing buses.

Find out just how far you can get on RTD. Then, make our economy a habit. It's easy.

Test ride RTD Line 445. Free.

Don't forget to fill out the reverse side of this coupon before boarding the bus. Turn it in to the driver and we'll send you a golden token good for another free ride on any RTD bus route of your choice, at any time. Have a pleasant trip. On RTD.



RTD LINE 445

TEST RIDE OUR ECONOMY CAR.



The cost of maintaining a car these days makes RTD the best transportation bargain around. We're about to make it even better. We're going to give you two free rides.

With the coupon below you can ride the RTD, anytime. Free. It's good for a free ride only for the line shown on the back. That ride will get you to a number of shopping centers, schools and businesses, quickly and conveniently. As an added bonus, when you turn in the coupon, RTD will send you a beautiful golden token good for another free ride on any RTD bus route of your choice, at any time.

With RTD, you can forget about your car and still get all those errands done. And with the coupon below, you can forget about the fare.

Try RTD today, on us. Then make our economy car your economy car, every day.

Fill out this coupon before boarding the bus, then turn it in to the driver and we'll send you a golden token good for another free ride on any RTD bus route of your choice. Have a pleasant trip. On RTD.

FREE.

Complete this coupon before boarding and give it to the driver. It's all the fare you'll need. As an added bonus, when we receive your coupon, we'll send you a beautiful golden token for another free ride on any RTD bus route of your choice at any time.

Name _____
(PLEASE PRINT)

Address _____

City _____ Zip _____ Daytime Phone _____

You are: MALE FEMALE You are a: Regular Rider Infrequent Rider New Rider

This coupon is good only for the line shown on the reverse side.



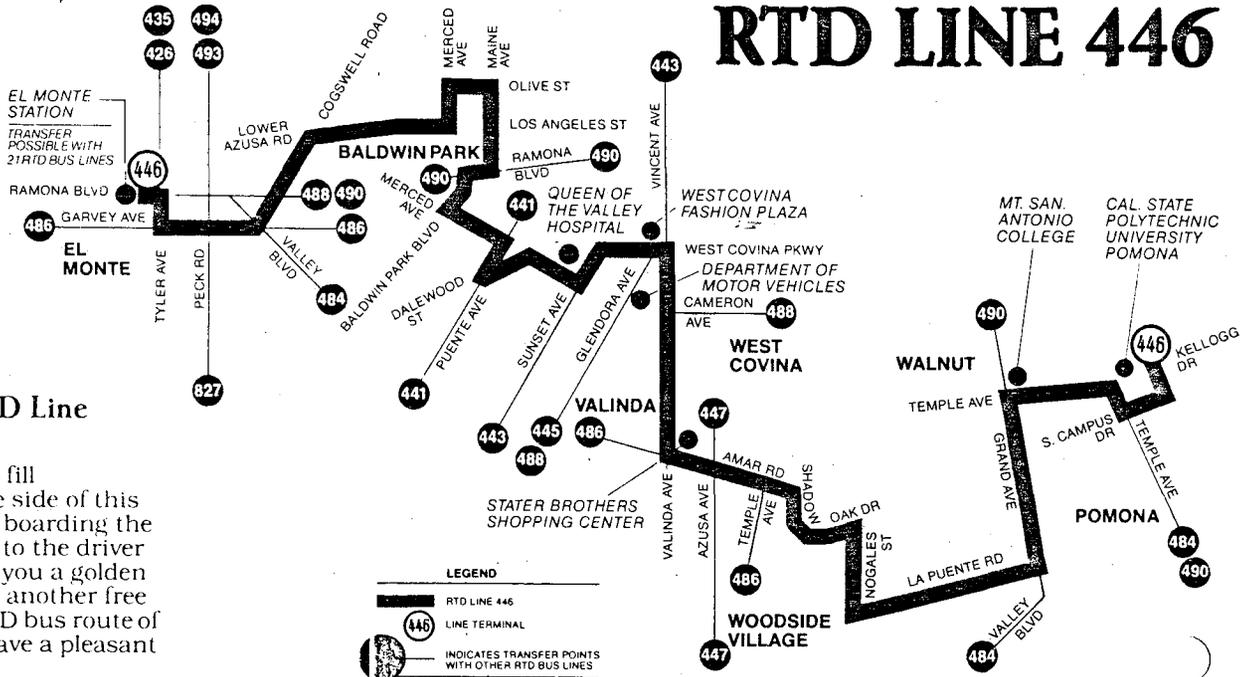
El Monte to West Covina to Pomona on one bus. Free.

With this coupon you can travel from the El Monte Busway Station to Cal Poly, Pomona without paying a fare or changing buses. Or you can jump off at many shops and places of business in between, including West Covina Fashion Plaza, Woodside Village Shopping Center, Queen of the Valley Hospital and Mt. San Antonio College. You'll get a good idea just how convenient RTD is. And while you're relaxing on the bus, you can think about how much you'll save in gas, money and wear and tear on your car if you use RTD more often.

So take a free ride on our economy car today. And make it your economy car tomorrow.

Test ride RTD Line 446. Free.

Don't forget to fill out the reverse side of this coupon before boarding the bus, turn it in to the driver and we'll send you a golden token good for another free ride on any RTD bus route of your choice. Have a pleasant trip. On RTD.



RTD LINE 446

TEST RIDE OUR ECONOMY CAR.



**We have an offer
you can't refuse.**

The cost of running a car these days makes RTD the best transportation bargain around. We're about to make it even better.

Take a free ride.

With this coupon, you can test ride the RTD anytime. Free. The coupon is good for a free ride only for the line shown on the back. But that ride will take you to a number of shopping centers, schools and businesses, quickly and conveniently. As an

FREE.

turn in the coupon, we'll mail you a golden token good for another free ride on the RTD bus route of your choice at any time.

**Give yourself,
and your car,
a break.**

Leave your car at home and let RTD help you run all those errands. You'll save gas as well as wear and tear on your car. You can forget traffic and parking hassles. And with the coupon, you can forget the fare.

Try RTD today, on us. Then make our economy car your economy car.

Complete this coupon before boarding and give it to the driver. It's all the fare you'll need. As an added bonus, when we receive your coupon, we'll send you a beautiful golden token good for another free ride on any RTD bus route of your choice at any time.

Name _____
(PLEASE PRINT)

Address _____

City _____ Zip _____ Daytime Phone _____

You are: MALE FEMALE

You are a: Regular Rider Infrequent Rider New Rider

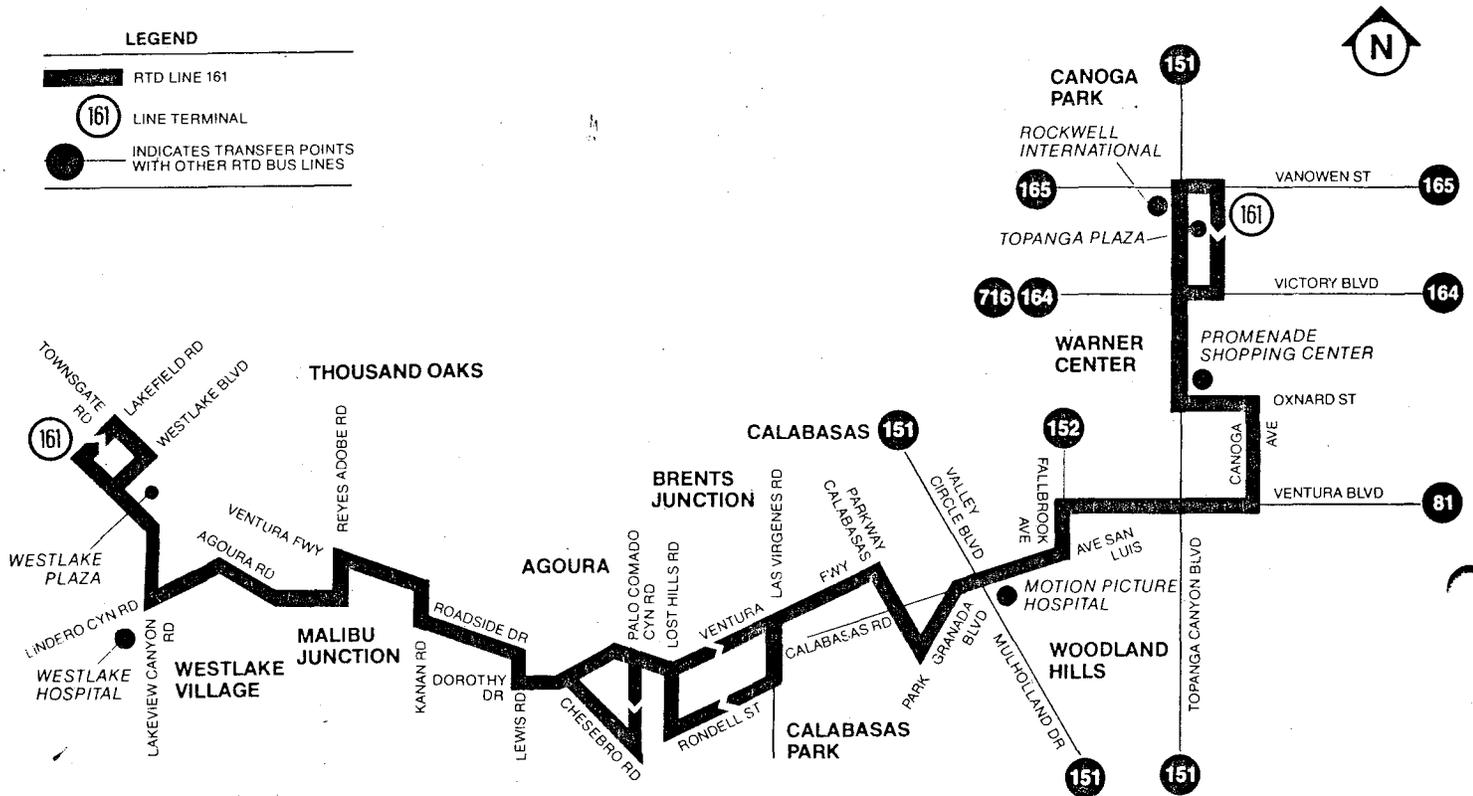
This coupon is good only for the line shown on the reverse side.



RTD LINE 161.

LEGEND

-  RTD LINE 161
-  LINE TERMINAL
-  INDICATES TRANSFER POINTS WITH OTHER RTD BUS LINES



Between Westlake Village and Canoga Park, the ride is free.

Hop on at Westlake Shopping Center, Topanga Plaza or anywhere in between. Line 161 makes dozens of convenient stops, including Westlake Community Hospital, State Farm Insurance Company, Blue Cross of California, Prudential Life Insurance, Warner Center, the Promenade Mall and Rockwell International. So you can shop to your

friends, have lunch or take care of business. You don't have to change buses. You don't even have to pay a fare, this time.

**TEST RIDE
RTD LINE 161.
FREE.**

Get around the West Valley the easy way.

Leave your car at home and let RTD help you get almost anywhere you want to go in the West Valley. With this coupon, you'll save a fare. And from now on, you'll save gas, money and wear and tear on your car, by riding RTD's