

LEARNING FROM SAN DIEGO

Lessons for Tren Urbano

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Transit: The Marketing Dimension

Overview

US transit agencies do not generally pay significant attention to the marketing function. What attention *is* paid is usually confined to promotions—selling existing products and services. While some have argued that it is inappropriate for public agencies to engage in marketing, a more persuasive view is that a marketing orientation can better enable transit agencies to develop products and services that meet genuine needs in ways that can potentially reduce reliance on public subsidies.

The San Diego Metropolitan Transit Development Board provides a useful case study for determining what role market strategy can play in the development of light rail systems. The lessons learned from the San Diego experience can play a pivotal role in improving the likelihood that San Juan's Tren Urbano will meet the many goals it is supposed to serve. The lessons are developed and explored in a companion study, *Application of the Strategic Service Model to Transit Operations: The Case of the San Diego MTDB*. The following discussion highlights the findings from this study and relates them to issues confronting Tren Urbano.

The Marketing Mix

The marketing function is concerned with four primary questions: exactly what product or service should be offered (and to whom), how it should be priced, how it should be made available, and by what means should the existence of the product and its attributes be communicated to the public.

Other Marketing Issues

Underlying the marketing mix are a set of issues and strategies whose importance to service sector enterprises is at least as great as for industrial concerns. Heskett's Strategic Service

Model focuses attention on the links between marketing issues and operations. He identifies four primary elements of a core service strategy: effective market targeting, focused development of a strong service concept, elaboration of an operating strategy, and the setting into motion of a service delivery system. These four elements are linked through three integrative elements: a coherent positioning strategy (communicating to the target markets just how the service concept is to be perceived), a strategy for leveraging the value of the product or service over the cost of providing that product or service, and careful attention paid to operations to make sure that it reflects the operating strategy.

Tren Urbano: Marketing Issues

There are three marketing issues confronting Tren Urbano that, if not dealt with strategically, can backfire and place in jeopardy both the ultimate success and future expandability of the project. These issues include the targeting of appropriate users, a clear development of an appropriate service concept to maximize the attractiveness of Tren Urbano to these users, and a thoughtful positioning strategy.

Which demand?

For a transit system to have a major impact on road congestion, it must somehow attract riders from their vehicles. If this is the case, it would be a mistake to treat all transit demand as "equal;" it would be far more effective to consider how the system could be targeted to appeal to those mode-choice customers. This strategy requires that an effective segmentation scheme be developed for categorizing or typing potential users, and that the most attractive segments be explored in great depth.

Identifying the details

Once a target segment (or segments) are selected, it is necessary to identify the “details” that, added up, might make a difference in how the product or service is perceived by the targeted segment. This calls for a level of attention and a research methodology not customarily used in transit planning. Such traditional planning considers relatively few service dimensions in terms of projecting (and designing to) demand, in part due to the difficulties of applying rigorous econometric analysis to identifying the true value of other service dimensions to the traveling public. The known failure of most US rail transit projects to meet ridership projections based on these models suggests the presence of a systematic element not accounted for in current models. From a marketing perspective, this systematic element can be hypothesized as attention to secondary details that in and of themselves may not individually affect mode choice, but that collectively can communicate to a potential user whether or not the service is in fact designed for them.

Positioning as a Strategic Element

A positioning strategy links the service concept, with all of its carefully-thought out provisions, to the market segments that have been targeted. A positioning strategy allows potential users to “place” the service in context, and can even aid these users to determine how they will value the utility of the service provided. A good positioning strategy communicates the intended uses for which the service is designed, and equally communicates the set of expectations that the public should hold regarding service.

In the case of Tren Urbano, issues of personal security can potentially “make” or “break” Tren Urbano; virtually every resident of San Juan with whom this researcher spoke expressed considerable concern about crime and violence in the city. While there is little argument that Tren Urbano will need to address security concerns, there is considerable room for question as to *how* it addresses these concerns in ways that will *directly* impact public perception of the desirability of the service. The positioning strategy of Tren Urbano

must therefore be based on a solid analysis of the “details” spoken of earlier that communicate an overall sense of security and order to the targeted segments.

The San Diego Trolley as a Prototype for Tren Urbano

Introduction

A study was conducted of the San Diego Metropolitan Transit Development Board from the perspective of Heskett’s Strategic Service Model to extract a series of lessons that could be useful to the Tren Urbano project. The MTDB currently operates two LRT lines (South and East; the Bayside line is now incorporated into the East line) along 32.8 miles of right-of-way, serving 34 stations in six municipalities (San Diego, National City, Chula Vista, Lemon Grove, La Mesa, and El Cajon). Approximately six miles of new line are nearing completion, and construction is slated to begin shortly on a 6.1 mile new line through Mission Valley; some 27 miles of additional lines are in various stages of planning.

With all of the construction and planning, it would appear on the surface that the San Diego Trolley has been a success. The reality is more complex, and the future expansion of the system has actually been placed in doubt by a shift in voter behavior; a number of recent proposed bond issues have all been defeated at the polls. Fourteen years after the first trolley line opened, public perception has begun to shift against the system. The reasons why this has occurred, and the problems associated with these reasons, can provide valuable lessons for Tren Urbano.

Problems

The San Diego study identified seven areas where the MTDB was faced with problems which require a strategic response.

1. The MTDB needs to develop an effective market segmentation strategy. The trolley especially is consistently “sold” to the public as a means of reducing congestion and providing an alternative to the automobile, yet the MTDB has not focused market research attention on better understanding and further dividing this “mode-choice” segment.
2. The MTDB’s overall Service Concept is muddled and does not directly address the concerns of any “target” market. It operates a mixture of types and kinds of bus and rail lines and services, but does not adequately differentiate them in the eyes of the public. The resulting confusion and lowered sense of expectation artificially depresses ridership and public perception of the value of the system.
3. The MTDB’s operating strategy, especially on the new lines, appears to be mismatched with the service concept; the strategy that worked reasonably on the South line does not translate well to other lines for a number of reasons.
4. The MTDB’s service delivery system (actual operations) does not adequately address customer perceptions of *risk* (understood broadly) in using MTDB services. Better customer information strategies can likely reduce this level of risk.
5. The trolley in particular, though positioned initially as a fun, bright red ride, has acquired a *de facto* position as an agent of crime and disorder; it has become associated with the poorer neighborhoods through which it passes. This *de facto* position has eroded public support and has led to strong community efforts to route new lines and stations to isolated and peripheral locations. *There is no more crucial problem facing the San Diego Trolley in the mid 1990’s than that of repositioning the service.*
6. The MTDB is faced with some opportunities for adding value-added services with which to increase revenues, but has not yet begun to explore this area. It needs to be able to segment the market for transit services into *price-sensitive* and *service-sensitive* customers and design highly-differentiated services targeted at each group.
7. The MTDB needs to better match its service delivery system to its operating strategy. The trolley, for example, results in *poorer* levels of service for persons traveling shorter

distances (the trolley, because it has greater capacity, offers reduced frequencies compared with high-demand bus routes).

Strategic Lessons

Six strategic lessons emerged from the San Diego study:

1. The Cod Liver Oil Lemma, which warns that the solution (Cod Liver Oil) may be “needed” but not “demanded” (by young children) especially when the underlying *problem* (the need of young children for nutrients) may be approached in a number of ways. In terms of San Diego, an expensive trolley line is being built in Mission Valley to solve a congestion problem that currently is demanding very little transit; even worse, it apparently solves the wrong congestion problem (intra-valley mobility).
2. The Gertrude Stein Negation, which argues that demand is *not* demand is *not* demand. If a rail system is sold to the public on the basis on pulling people out of their cars, it cannot claim success because it has merely forced bus riders to switch modes. It matters very much *who* is demanding transit services.
3. The Frankfurt Airport Lesson suggests that an effective service concept defines the service in terms meaningful to potential users. In the case of Frankfurt, the train that connects the airport with the city center departs every ten minutes for a ten minute trip, meaning the potential customer is assured of never needing to spend more than twenty minutes total travel time. This “upper bound” is useful to potential users of a system.
4. The Caracas Positioning Paradox contrasts the MTDB’s approach to serving marginalized communities with the approach taken by the Caracas metro. In the case of Caracas, stations in poorer neighborhoods were built to serve as town squares, with significant architecture, open spaces, fountains, materials, security, and amenities. The metro was therefore positioned as an element of civility and urbanity, bringing the opportunities of the big city to its more marginal neighborhoods. This contrasts strongly with the San Diego

Trolley's position as an agent introducing "crime" and "disorder" into supposedly "stable" neighborhoods.

5. The Harvard Square Rule is another positioning lesson. Many of the planned and developed stations of the MTDB are peripheral to their target service areas, and hence position the trolley as peripheral to the life and functioning of these areas. The Harvard Square MBTA station in the Boston area is a strong contrast; located in the very center of the target service area, the transit station is virtually synonymous with the neighborhood it serves.

6. The Field of Dreams Fallacy argues against building lines that *depend* on future sustained, massive, and high-density development; very little of what the private sector plans is built at the densities and intensity necessary to justify the rail line. On the other hand, a rail line can allow an already popular, dense, pedestrian-oriented neighborhood to support higher densities and a greater mix of uses.

Conclusions

If there is any central lesson from the San Diego experience that is directly relevant to San Juan's Tren Urbano project, it is the necessity to pay attention to the marketing function in the planning and design of urban rail service. A clear understanding of the market means more than being able to determine the systematic utility of auto versus transit based on important (but limited) econometric data; it means understanding how a market breaks down into segments of people with shared characteristics, how these segments differ in terms of price and service sensitivities, and how these segments wish to understand their place in the urban world. On the basis of this data, effective, differentiated service concepts can be developed, responding directly to both the major elements of importance to each group as well as to the "details" that together communicate and reinforce the central elements. On this

basis, an effective positioning strategy can be developed with which to better market the service to the public.

It therefore goes without saying that a marketing-based approach to the development of transit will necessarily lead to direct and specific specifications as to many aspects of the proposed service, both in terms of service process and physical infrastructure. Marketing information can inform such decisions as station siting, design, amenities, and character; information systems; links with other modes; even the choice of names, logos, and colors. The price of ignoring marketing considerations is the possibility of building up public disenchantment with transit at the very time transportation solutions become increasingly needed if a metropolitan area is to attract continued investment. Tren Urbano should not become another casualty of public opinion.