



# Metro

Los Angeles County  
Metropolitan Transportation Authority

One Gateway Plaza  
Los Angeles, CA 90012-2952

213.922.2000 Tel  
metro.net

July 12, 2006

TO: BOARD OF DIRECTORS

THROUGH: ROGER SNOBLE  
CHIEF EXECUTIVE OFFICER

FROM: MATTHEW RAYMOND  
CHIEF COMMUNICATIONS OFFICER

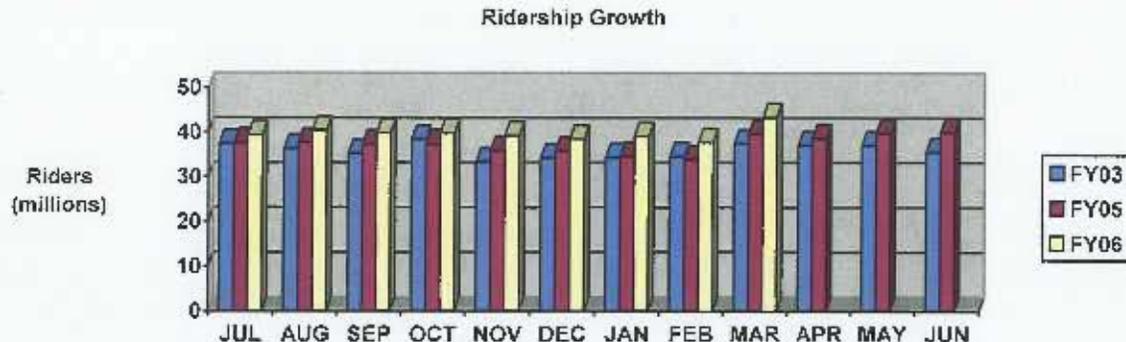
SUBJECT: RIDERSHIP MARKETING

## ISSUE

At the Budget Briefing on May 8, 2006, the Board asked for an update on actions Communications has taken to increase ridership. This report reviews the strategies pursued and the results to date from Metro's ridership marketing programs.

## DISCUSSION

There are few transportation agencies, locally or nationally, that have been more successful than Metro over the last few years at increasing ridership. Metro's ridership growth in 2005 was 4 ½ times the national average (5.8% vs. 1.3%). Long before the current concerns regarding high gas prices, Communications was consistently and successfully marketing Metro services to increase ridership. Even despite a January 2004 fare adjustment, Metro ridership increased more than 4% in FY05 and is trending at 8.4% for this year. Over this same period, other local agencies (such as Santa Monica's Big Blue Bus) have experienced declines in ridership. The chart below illustrates how Metro's monthly ridership has increased year over year.



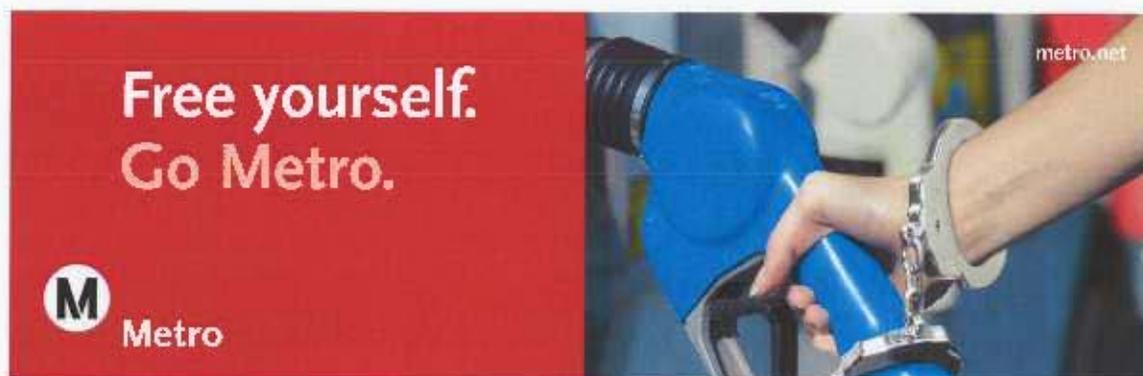
FY04 is not used for ridership comparisons because of the work stoppage.

No single defining action drives ridership. It is a combination of actions, improvements, innovations, market drivers, programs, services, perceptions, environmental conditions and people all working in concert that grow Metro's ridership. Communications role is to orchestrate these factors into ridership. That is to: increase awareness, improve perception, aid investigation, initiate trial and enhance the customer experience.

The following is an overview of what Communications does to increase ridership – it's a twelve-step program:

1) Leverage Market Conditions (high gas prices)

Communications began a provocative campaign on May 8 encouraging drivers to escape the bonds of high gas prices. This program was scheduled to coincide with the expected seasonal increase in gas prices. The creative was developed in March, produced in April and began airing in May. Ads are appearing on 36 billboards, 115 bus shelters and 600 bus sides as well as in 24 newspapers, and will continue into the summer.



Metro's overall communications program is designed to be flexible – to adapt to market conditions and opportunities. This flexibility enables us to market everything from the Metro Orange Line to high Gas Prices to safety and security with equal intensity.

2) Focus on Convenience, Speed and Availability

Two years ago a study showed that 38% of the population claimed they would switch to public transportation if gas prices went beyond \$2.50 per gallon. As gas now hovers around \$3.50 a gallon today, this migration clearly has yet to occur. While high gas prices are definitely a motivating factor for people to consider public transportation, the correlation between the price of gas and the creation of new riders is not as high as one might expect. Factors with the highest correlation to ridership are: availability of automobile; perceived convenience; and employment. 70% of Metro's customers do not have a car available to them. 80% use Metro service to commute to and from work; and 90% state our service is convenient to use.

Perceived convenience and relative value are critical to generating new ridership. The primary variable in attracting a new (non-transit dependent) rider is the perception of convenience of available bus/rail service and its relative value to the automobile. "I would use transit if it was available," "I need my car for work," and "I can get there much faster by

car” are comments most frequently made by people who do NOT chose to use public transit. While gas prices greatly enhance the relative value of commuting by public transit, for many the service is perceived to be inconvenient, too slow or unavailable.

While savings and economy permeate Metro communications campaigns, bridging perceptual gap of convenience, speed and availability are where Metro has capitalized most in attracting new riders. By making people aware of the transit service available to them, by marketing to geographic regions that have superior transit corridors, and by positioning new services as “Fast, Frequent, Fabulous” or “The convenient way to ride all day,” Metro is successfully attracting riders that previously would not have considered public transportation as an option.

### 3) Market to Discretionary Riders

In 2002, slightly more than 20% of Metro riders had a car available to them to make their trip. By spring 2005, the number of discretionary riders on Metro increased dramatically to 30%. By comparison, Tulsa Transit was cited recently for its success in growing discretionary ridership from 16% to 21%, a similar percentage increase in a much smaller market. (Note: a new Metro customer survey is in process that will provide current discretionary ridership. Results will be available in August).



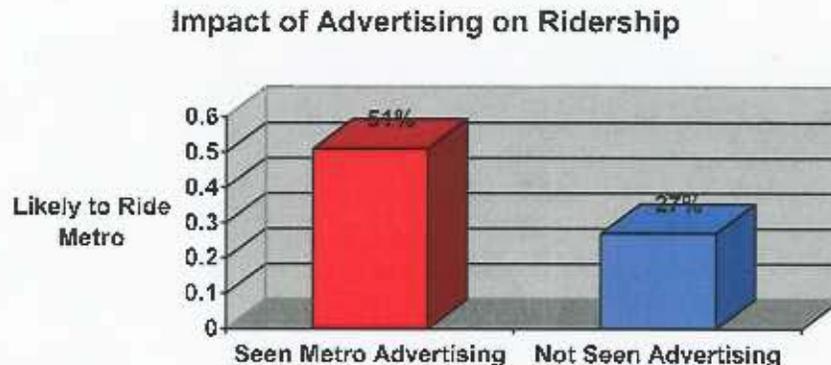
Appealing to Metro’s discretionary customers is good for ALL Metro customers. The same attributes that are required to drive someone from their car to transit are the same things that make all our customers more satisfied and loyal.

### 4) Penetrate the Market

The value of advertising can not be underestimated. Advertising is used to penetrate the market and increase awareness. Metro uses a combination of baseline communications (c.g. Metro Briefs; bus advertising; traffic radio) that are spiked with specific messaging campaigns (e.g. Day Pass, Orange Line, Metro Rapid) to build awareness of its services. In addition, a compelling Metro brand improves perception. We leverage high impact, consistent imagery (e.g. vehicle design; logo; signage; collateral; advertising) to create a consistently positive perception of Metro and its services. Communications also works to build grass-roots awareness of local service. We have used direct mail and local newspaper advertisements to inform communities of available public transportation through a series of “Community Guides.” These guides were sent out as direct mail pieces and placed in

community newspapers throughout the County. A free weekly pass offer was extended and over 3,500 people responded.

Advertising has been critical to Metro's ridership growth. A public opinion study conducted in 2004 revealed that people who had seen Metro's advertising were nearly twice as likely to try Metro as those who had not seen it.



#### 5) Maximize Free Media

To complement paid advertising, Metro actively generates free positive publicity. The equivalent ad value of our publicity efforts this fiscal year has been averaging about \$2 million a month. Press releases are continually issued to local media focusing on higher Metro ridership, employer pass programs, Metro Orange Line ridership success, and the latest Metro ad campaign focusing on Metro as a way to beat high gas prices. Positive media coverage is at record levels – Metro reversed a negative trend and garnered 60%+ positive media coverage of the agency's efforts. In addition to media relations efforts, public service announcements, cable TV shows and joint promotions are also utilized to increase ridership. Finally, Communications utilizes all available space on the Metro system to market services and cross-sell to our customers.

#### 6) Promote Good Services

The most compelling reason to go Metro is good service. Metro has continually made improvements to its service over the last few years. These improvements greatly aid ridership marketing. Marketing good transit corridors is one of the most fruitful and efficient means of generating ridership. Lines that provide superior service along a geographic corridor can utilize direct mail, outdoor and just plain service visibility to increase ridership with an exceptional return on the marketing dollar. Some notable examples include: The Blue Line - the second most successful light-rail line in the nation with more than 76,000 average weekday boardings, the highest ridership since it opened in 1990; The Metro Orange Line, with its 18,000 daily boardings, has tripled its ridership estimates in its first eight months of operation; The 450X Express Line – that has doubled ridership in its first year.

#### 7) Market to Business

Business-to-business marketing is Metro's highest potential growth segment. About 80% of Metro customers commute to and from work. Targeting customers' worksites with strategic

(tax-free) pass programs is a proven method of increasing ridership. Communications has developed a complete line of pass and rideshare programs specifically designed for employers. Studies show that when an employer subsidizes their employees' transit pass, ridership in that company increases by as much as 300%. This makes marketing to local business a key strategy in attracting new customers. As a result, monthly employer pass sales have increased from \$272,158 in FY02 to \$579,333 today and the reported number of riders has nearly tripled, increasing from 16,417 to 46,246. All-in-all, over 1,140 worksites and 557,450 employees are now in some type of Metro employer program. Metro initiated a New Employee program where registered companies can give new employees a weekly pass to try out Metro service. We also offer a Guaranteed Ride Home programs to encourage sampling of transit.

#### 8) Target New Residents

Metro's New Resident program has been extremely successful, with 10% of the targeted customers trying transit. People are most open to changing commute patterns when they are in transition. When a person moves or starts a new job there is a tremendous opportunity to get them to consider using public transportation. Metro targets these potential new riders with a 'New Resident' direct mail program. The program identifies new residents through utility hook-ups and address change notifications. These people are sent a "welcome wagon" kit that introduces them to Metro and offers a free weekly pass to try the service. Of those who get the new resident offer, 10% respond. This is an incredibly high response rate compared to other direct mail efforts (which typically run between 2-3%).

#### 9) Partner with Sectors

Working with Sectors, Metro promoted over 80 routes in FY05. While route promotions varied from newspaper advertisements to direct mail to outdoor, the results were pretty much the same – more ridership. In fact, 80% of the lines that experienced the highest growth in ridership were involved in some type of route promotion. Further proof of Metro's successful ridership efforts was demonstrated through productivity ratios where ridership outpaced service additions. In FY05 Metro increased revenue service hours 1.4% while passengers per hour grew 4.7%. This near 3 to 1 ratio made Metro the second most productive transit agency in the United States.

#### 10) Market Destinations, Attractions and Special Events

Currently, key destinations such as shopping centers and entertainment venues are being highlighted for their proximity to specific lines in each Sector. Patrons are quickly learning the advantages of using Metro to attend sporting events, conventions and large public events. Metro often partners with organizations to jointly promote the use of transit to a particular event. In addition, we have been highlighting easily accessible destinations with ads appearing in 42 newspapers emphasizing the use of a Day Pass to get to attractions easily reached by bus and rail.

#### 11) Eliminate Barriers to Ridership

Lack of understanding of fare systems is one of the biggest deterrents to trying public transportation. Communications designed the Day Pass to eliminate that barrier - and to increase ridership and revenue. The \$3 Day Pass offered a simple concept for new customers to grab – and grab they did: 44% of Metro's new customers (those riding less

than one year) use the Day Pass compared to 33% of those riders who've been with Metro longer. Day Passes have also dramatically increased revenues. The Day Pass nets around \$.70 per boarding which is the highest amount of linked-trip revenue the agency receives. The Day Pass also enabled Metro to actually lower its base fare which, coupled with ridership growth, netted the agency nearly \$75 million in additional FAP revenue – a 22% increase over FY05. Finally, the Day Pass made it possible for Metro to cut costs. Token use was reduced 65% which lowered operating costs by \$700,000 and commission payments by \$2.4 million annually.

Over the last three years, several pass programs have been introduced and/or modified to ease customer usage and generate additional ridership. The regional EZ transit pass (which grew 31% over last year) encourages ridership among Metro and most other local providers. Many Metro customers have switched from Metro to EZ and are trying new express services. EZ zone stamps have increased 72 percent over last year. Even with an increase in price, pass sales have increased significantly over the last 12 months. Metro monthlies are up 5.4% in units and revenue and college pass sales are up 8 %. The most dramatic increase was in the student (K-12) program. Following modifications to the application process, pass sales increased 52% over last year.

#### 12) Make the System Easy to Use

Metro has vastly improved its customer information and signage system over the last few years. Improvements to wayfinding signs, timetables, fare systems, etc. has made Metro much easier to use. The internet has expanded Metro's customer service capacity ten-fold. Customers can get trip itineraries, buy passes or virtually ride the Red Line right from their own home. Signage at stations has been modified to provide more useful information. The goal is to have all the information necessary to use the system. While we still have a way to go, vast improvements have been made in connecting information, wayfinding, security information and fare information.

#### NEXT STEPS

Communications will continue to explore new programs to increase ridership. Upcoming efforts include a comprehensive signage program that standardizes head signs, bus stops and timetables; new customer information pieces such as a "12-minute map" that shows all service running every 12 minutes or less; and a new map of all Metro and Muni Express Service that provides an overview of prime commuter lines. Simultaneously, Communications will continue to implement and refine the successful programs described above. Finally, Communications will continue to brief the Board on its efforts through the monthly "In the Public Eye" report.