The Potential for Using Loyalty Rewards and Incentives Programs to Encourage Transit Ridership and Regional Transportation and Land Use Integration

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The initial inspiration for this research project came from the idea that transit smart cards could be used as a tool for increasing transit ridership, retail sales in transit-oriented developments (TODs) and eventually, increasing retail development in TODs. This might work by expanding the scope and capabilities of transit smart cards to include "customer loyalty rewards" capabilities, thereby increasing patronage of retail businesses located in TODs. From this inspiration, a plan was developed to gather research literature on the relationships between smart cards and transit ridership, between transit ridership and retail activities, and between retail sales and retail development in TODs. In the process of this literature search, examples were identified of programs that have been implemented in North American transit agencies. For three of these cases—in Montreal, Canada; in Minneapolis/St. Paul, Minnesota; and

in the San Francisco Bay Area, California—case study profiles were developed from a combination of source publication materials, traditional and electronic media, and telephone interviews with program representatives.

Study Methods

The primary methods used to investigate the potential for using smart card-based loyalty rewards for transit riders included a comprehensive review of transit industry, business marketing, and academic research literature focused on the best practices for retail economic development, the ridership benefits of transit smart cards, and the effects of loyalty and rewards programs on retail and travel behaviors. The findings from this literature review were then used to identify and interview key personnel involved in developing and operating three loyalty rewards programs at transit agencies in Montreal, Canada, Minneapolis/St. Paul, Minnesota, and the San Francisco Bay Area in California.

> *Transit agencies across the U.S. and Canada have begun to design and test loyalty rewards programs that have the potential to increase ridership, reduce ridership "churn", and eventually, enhance the economic vibrancy of transit-oriented developments.*

Findings

This literature review and case study research resulted in the identification of a number of practical lessons, and promising directions for future research:

1. There is a **lack of research** linking transit smart cards, transit ridership, and shopping behavior in TODs.

How it Works
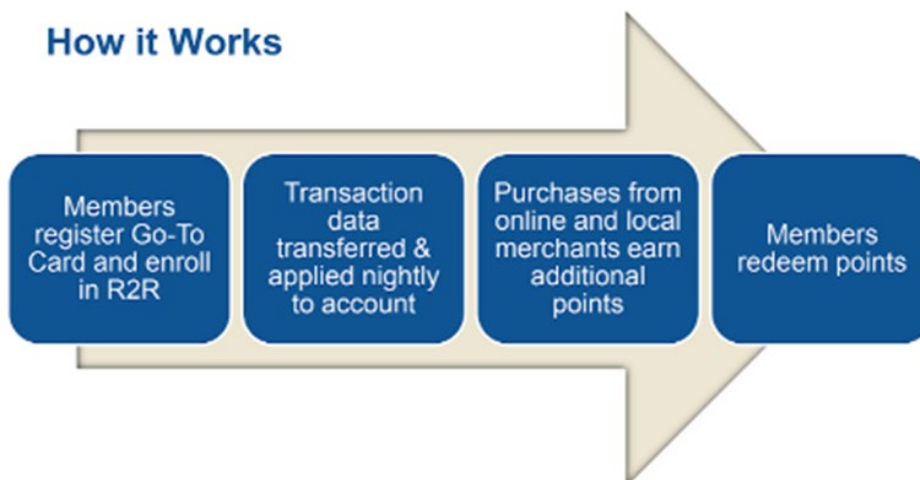
2. It is important to **retain existing transit riders** (reducing ridership "churn"), po-tentially through the use of loyalty rewards programs and incentives programs to keep these riders or win back those who have given it up.
3. There is both need and potential for **rebranding transit's public image**.
4. There are **risks of overreach** when implementing a transit loyalty rewards and incentives program.
5. There is high **potential of incentives and loyalty rewards programs** in building transit ridership, TOD, and beyond.

Policy Recommendations

Policy and practice recommendations from this research include:

1. Develop more **practice-driven research and experimentation on transit rider rewards and loyalty programs**. In particular, research is needed to identify the best practices for the ownership, management and administration of loyalty rewards programs would be helpful to determine the degree public sector administration, contracting-out, or outright privatization yields the most effective and sustainable outcomes.
2. **Market segment analysis** is needed to understand the most effective rewards for the variety of transit riders according to socio-economic characteristics, lifestyle preferences, and corresponding transit system capabilities (both existing and future).

3. Transit agencies should consider looking beyond their customary approaches and methods to understanding and responding to the needs and their riders by, in part, seeking to **build new and more personalized interactions and relationships with them**. Loyalty rewards programs offer a good starting place for this ongoing and evolving effort.

About the Authors

Dr. Christopher E. Ferrell works as a transportation consultant and most recently as MTI's Senior Research Scientist, focusing on the integration of transportation and land use, and travel behavior.

To Learn More

For more details about the study, download the full report at **transweb.sjsu.edu/project/1797**.

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