



ITEM ID: 2023-145-0

TRANSMITTAL DATE: March 17, 2023

MEETING DATE: March 24, 2023

TO: Board of Directors

FROM: Scott Johnson, Interim Chief Customer Experience Officer

SUBJECT: Evaluation of Monthly Pass Discount

Issue

In October, November, and December 2022, the Authority conducted a fare pilot with a 30% discount on Monthly Passes. This item presents the results of an evaluation of customer response to the fare pilot. Findings indicate a 37% increase in pass sales with 10% of those sales coming from new customers.

Recommendation

Receive and file.

Strategic Commitment

This report aligns with the Strategic Business Plan commitments of:

- **Customers Are Our Business:** We respect and value our customers, putting them at the heart of all we do, and work hard to attract and retain new customers by understanding their needs and finding new and innovative ways to bring them on board. Fare pilots help the Authority design more customer-focused fare offerings to respond to changing customer needs.
- **Modernizing Business Practices:** We will improve our operational efficiency through transparency, objective metrics and streamlined governance, reducing over-reliance on subsidy while bringing our system into a state of good repair and investing in the

development of our employees. Research into customer response to fare pilots helps provide quantifiable metrics to guide policy decisions.

Background

Along with other public transit agencies, Metrolink has witnessed fundamental changes to its ridership base because of the Covid-19 pandemic. Commute trips, the Authority's traditional ridership market, have declined significantly as employees working remotely has become more common. Office occupancy rates plummeted and have recovered only 50% nearly three years since the beginning of the pandemic.

Metrolink introduced the 5-Day and 10-Day Flex Passes to offer more flexible fare options for commuters with irregular and less frequent travel patterns. Their usage has grown to account for 10% of weekday ridership during the first quarter of FY23. The Monthly Pass, along with the 7-Day Pass, remains the fare media of choice for Metrolink's most frequent commuters. Although sales of Monthly Passes have declined since the pandemic, they still account for 34% weekday ridership.

Peer agencies like Caltrain and Chicago's Metra, and also LA Metro have responded by reducing the cost of their Monthly Passes by as much as 50% or more to make commuting more affordable for essential workers and to re-position the monthly pass as a more attractive option for commuters who commute to the office only on a few days each week.

The Authority's 2021 Fare Strategy Study also identified re-pricing the Monthly Pass as an opportunity to adapt to the new market conditions. In March 2022, staff recommended to the Board the launch of a fare pilot with a 30% discount on Monthly Passes to test customer response to the lower fare. The pilot was launched in October and was available for pass purchases at both the TVD and on the mobile app through December 2022.

Discussion

Based on recommendations from the 2021 Fare Strategy Study and customer research, the fare pilot was designed to test the response from both existing and new customers to a discounted Monthly Pass. Staff has analyzed sales data for Monthly Passes as well as other ticket types to identify customer responses to the pilot and to determine the overall effectiveness of the pilot.

Below are some of the key findings from the fare pilot:

Monthly Pass sales increased 37%

During the three months prior to the fare pilot, Monthly Pass sales averaged 3,551. During the pilot (October-November-December), sales increased to an average of 4,868 passes per month, an increase of 37%. Monthly Passes accounted for 43% of weekday ridership during the pilot, that is up significantly from 34% prior to the pilot.

New riders accounted for 10% of Monthly Pass sales

Ten percent of the Monthly Passes sold during the pilot were for customers who had not previously made a purchase. The analysis also showed that the lower pass price helped win

back some lapsed riders who last took a train more than a year prior. These lapsed riders accounted for 3% of passes sold during the pilot. Combined, these riders generated approximately \$280,000 in new revenue during the pilot and are expected to generate another \$60,000 per month after the pilot.

The lower fare made the Monthly Pass cost-effective for less frequent commuters

Regular Monthly Pass prices reflect a break-even point of 3.3 travel days per week. This means the Monthly Pass is the cheapest fare for anyone taking Metrolink on more than 3 days in a week. The pilot’s 30% discount lowered the average price of a Monthly Pass from \$215 to \$150, thereby lowering the breakeven point to 2.3 days per week. This made the Monthly Pass attractive for less frequent riders who travel only 2-3 days per week. In other words, the lower fare made the Monthly Pass the cheapest fare for someone traveling as few as two days one week and three days the following week.

January Monthly Pass sales were up from pre-pilot levels

The increase in Monthly Pass sales during the pilot was no surprise and is in line with prior estimates. An important question the pilot was intended to answer was whether or not the temporary fare discount would have a lasting effect and how many of the new pass buyers would continue to buy the Monthly Pass after the pilot ended.

In January 2023, the monthly pass price reverted back to the regular price. Yet, sales remained high with 3,908 passes sold for the month of January. That is a 10% increase over the pre-pilot average of 3,551. Fare revenue was up by a similar 10%. Also 7-Day, along with 5-Day and 10-Day Flex Pass sales were up by 8%, which is noteworthy since overall ridership in January was down 2% from pre-pilot levels. It indicates that many of the new Monthly Pass buyers continued to ride after the pilot ended.

MONTHLY PASSES	PRE-PILOT AVERAGE JUL-SEP	PILOT AVERAGE OCT-DEC	JAN 2023	CHANGE FROM PRE-PILOT	% CHANGE FROM PRE-PILOT
PASSES SOLD	3,551	4,868	3,908	357	+10%
REVENUE	\$761,695	\$729,342	\$834,519	\$72,824	+10%

Next Steps

Staff will consider a potential re-pricing of Monthly Pass fares as part of a larger fare restructuring study in FY24.

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Attachment(s)

Presentation - Evaluation of Monthly Pass Discount