

Consumer survey results: evidence relating to switching behaviour

Introduction

1. As part of the inquiry into the acquisition by NEG of the Greater Anglia rail franchise, the CC commissioned two consumer surveys, which were conducted by the consumer research company Synovate. These surveys sought to gather information from passengers in the following areas:
 - (a) passengers travelling on the c2c and One Great Eastern (OGE) train lines between London and stations in and around Southend-on-Sea; and
 - (b) passengers travelling on coach and train in the Greater Anglia area, specifically considering journeys between London and the towns of Colchester, Ipswich and Norwich.
2. This paper summarizes the key survey results relating to passengers' choices, examining in particular the survey evidence on the potential for consumers to switch between services. This evidence is used to attempt to gain an insight into:
 - (a) the extent to which the two train lines between London and Southend compete with one another; and
 - (b) the extent to which coach and train services in the Greater Anglia area compete with one another.

We consider each of the two surveys in turn below.

Rail passengers between London and Southend-on-Sea

3. A handout questionnaire was used to survey a total of 1,212 passengers. Six hundred passengers were questioned on the c2c service, and 612 on the OGE service. The survey was conducted for passengers travelling in both directions, and covered both peak and off-peak periods of travel.
4. Passengers who were not making a journey between London and a station in the greater Southend area (the journeys of key interest in this case) were excluded from the sample. This reduced the total sample to 500 passengers on the c2c line and 514 on the OGE line.
5. The 1,014 passengers were asked whether they knew roughly how the c2c and OGE lines compared with one another in terms of journey time and price. The results were as follows:

Do you know roughly how the c2c and One Great Eastern services compare in terms of journey time and price?

	c2c	One GE
Yes	40%	48%
No	60%	52%

Over half of the passengers questioned stated that they did not know how the two services compared in terms of journey time and price.¹ This result was consistent across passengers on each of the two lines, with neither group of passengers displaying a particularly greater awareness of the alternative train service available to them.

6. Those who *did* know how the two services compare were then asked how easy or difficult it would be for them to permanently switch from the service they were using when questioned, to use the other train service instead. The answers to this question were as follows:

Of those who know how the 2 services compare:
Would it be easy or difficult for you to permanently change from the train route you used today to the other train route?

	All	c2c	One GE
Very Easy	11%	15%	8%
Quite Easy	12%	11%	12%
Neutral	22%	23%	21%
Quite Difficult	32%	31%	32%
Very Difficult	24%	20%	27%

As we can see from these results, over 50 per cent of passengers who know how the two services compare with one another stated that it would be quite difficult or very difficult for them to permanently switch services.

7. Passengers were then asked whether there was an increase in the price of their current train ticket that would be just enough to persuade them to switch to the other train service. In order to assess the potential for switching, we focus on those who said that it would be very easy, quite easy or neutral for them to permanently switch services (see above). For these passengers, the answers were as follows:

¹The two criteria were not asked separately, so it is possible that passengers know how the services compared with respect to one element and not the other (for example, they may have known how the two services compared in terms of journey time, but not in terms of price, or vice versa).

Of those who find it easy or neutral to switch lines:
Is there an increase in the price of your current ticket that would persuade you to switch to the alternative train route?

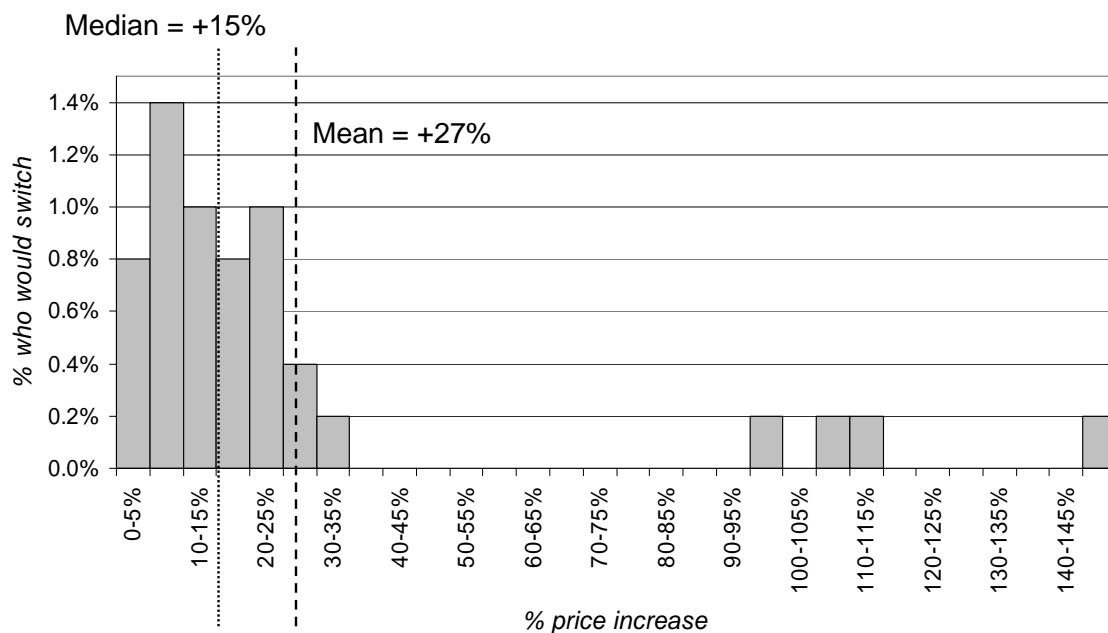
	c2c	One GE
No, I would always use this route	54%	56%
Yes, a price increase would make me switch	46%	44%

Therefore, of those who know how the two lines compare, and who would find it easy or neutral to switch lines, just over half would not be prepared to switch, even if the price of their current ticket were to increase. This result was consistent across both train lines, with neither group of passengers showing a greater willingness to switch lines.

- Those passengers who stated that they would switch services in response to an increase in the price of their current ticket were then asked what price increase would be just enough to make them switch. The results of this analysis are shown in the following two charts. The first chart shows the percentage of all c2c passengers who would switch services in response to different increases in the price of their current ticket.²

FIGURE 1

Percentage of all c2c passengers who would switch to One Great Eastern following a price increase



Source: CC analysis of survey results.

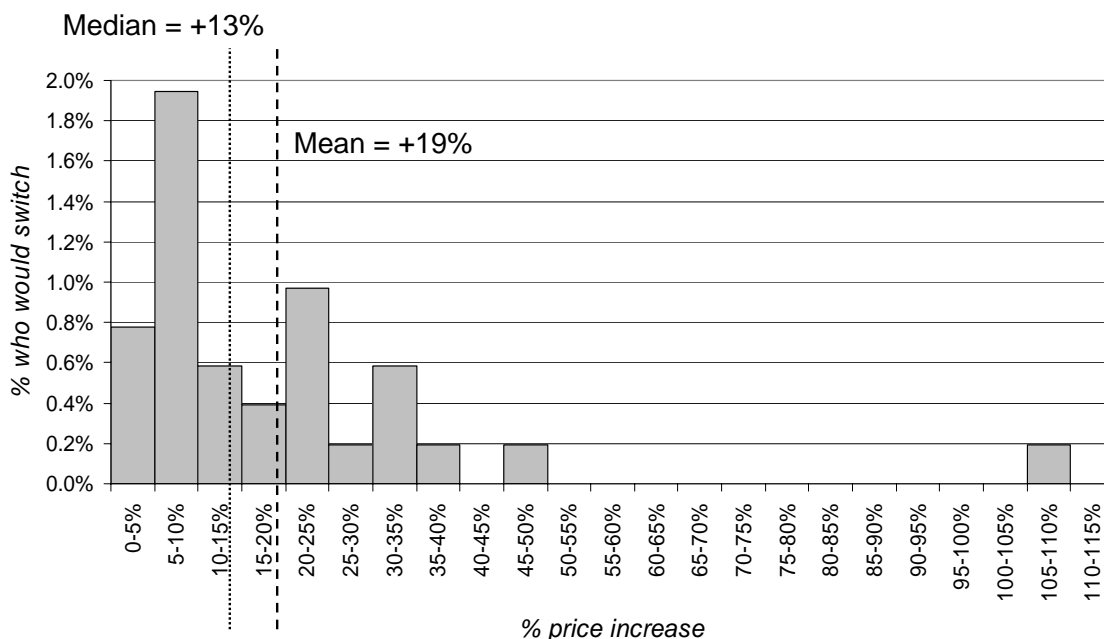
²The figures shown in this chart represent the proportion of all passengers who (a) know how the two train services compare, (b) would find it easy or neutral to switch lines and (c) would switch lines following a price increase.

This chart shows that about 0.8 per cent of c2c passengers might be expected to switch to OGE in response to a price increase of 5 per cent, whilst an additional 1.4 per cent of passengers would switch in response to a price increase of 5 to 10 per cent. Of those who would switch lines, the mean price increase required to make them switch is +27 per cent; however, due to the long right-hand tail of the distribution, it may be more informative to consider the median price rise required to induce switching, ie +15 per cent.

9. The second chart shows comparable information for OGE passengers.

FIGURE 2

Percentage of all One Great Eastern passengers who would switch to c2c following a price increase



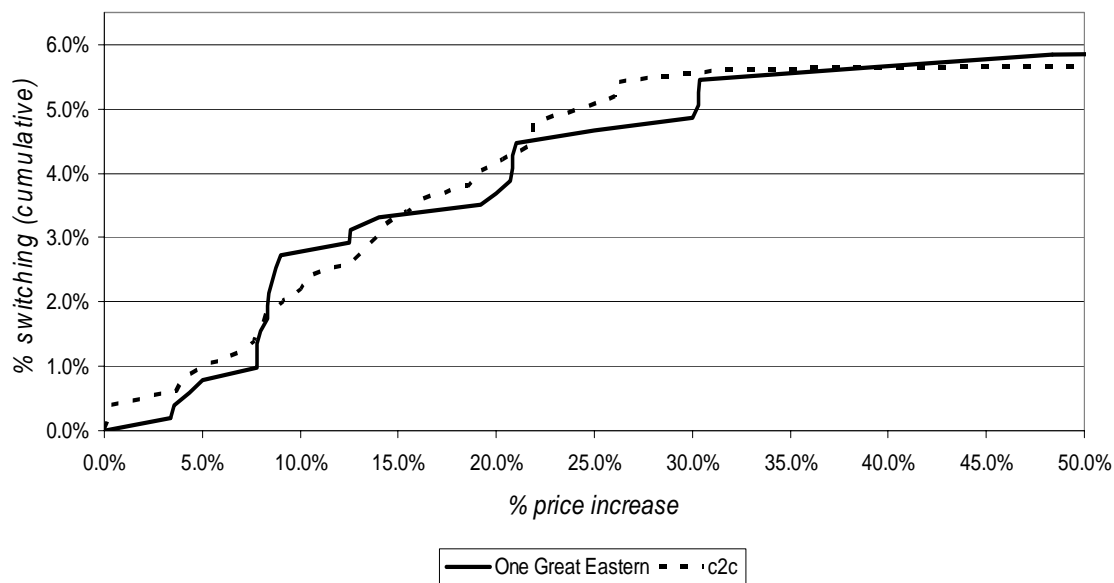
Source: CC analysis of survey results.

Similar to the c2c results, this chart shows that just under 0.8 per cent of OGE passengers might be expected to switch to c2c in response to a price increase of 5 per cent, whilst an additional 1.9 per cent of passengers would switch in response to a price increase of 5 to 10 per cent. Of those who would switch lines, the mean price increase required to make them switch is +19 per cent; however, again due to the long right-hand tail of the distribution, it may be more informative to consider the median price rise required to induce switching, ie +13 per cent.

10. The following chart shows the cumulative percentage of passengers on each train line who might be expected to switch services following an increase in the price of their current train ticket.

FIGURE 3

Cumulative percentage of passengers who would switch lines following a price increase



Source: CC analysis of survey results.

This diagram shows that, in response to a 10 per cent price increase, 2.2 per cent of c2c passengers and 2.7 per cent of OGE passengers might be expected to switch lines.³ For a price increase of 50 per cent, just under 6 per cent of passengers on each line might be expected to switch to the alternative line. (It should be noted that these figures only relate to the number of passengers who might be expected to switch lines; it is possible that more passengers may decide to switch to an alternative mode of transport altogether in response to an increase in the price of the train, but such behaviour is not captured by these figures.)

³In each case, it is assumed that the price of the alternative train service has remained unchanged.

Summary

11. To summarize, out of the whole sample of 1,014 respondents, the following results are obtained in relation to potential switching behaviour:

Of the whole sample of 1,014 respondents travelling between London and the Southend area:

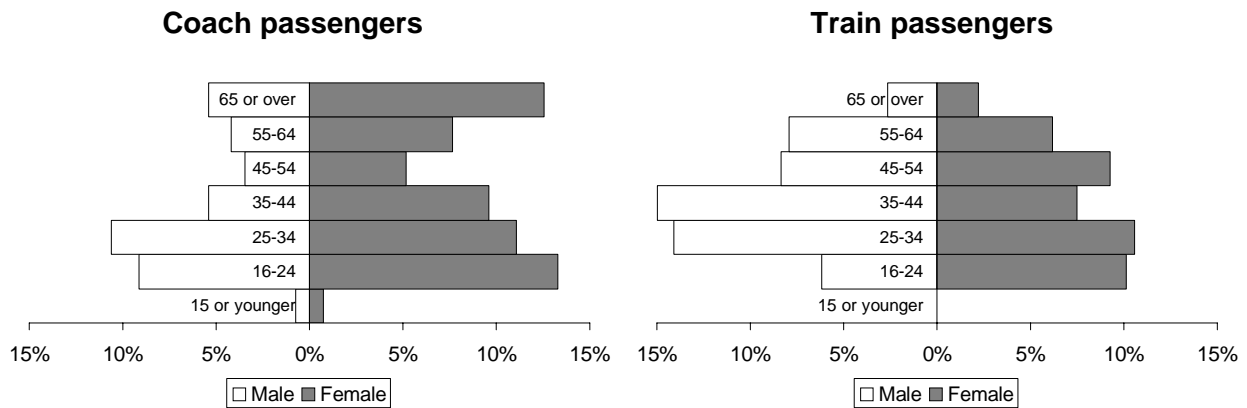
	c2c	One GE
Know how services compare	39%	47%
And find it easy or neutral to switch	19%	18%
And would switch in response to a price increase	6%	6%
Median price increase required	+15%	+13%

Coach and rail passengers

12. A total of 746 coach and train passengers were questioned and found to be making a qualifying journey between the stations of interest. As for the Southend survey, the coach/rail survey was conducted through the use of a handout questionnaire. The survey was conducted for passengers travelling in both directions during off-peak periods between London and each of Norwich, Ipswich and Colchester. The number of interviews conducted for passengers making qualifying journeys on each route were as follows:

	Total	Coach	Train
London-Norwich	398	271	127
London-Ipswich	198	119	79
London-Colchester	150	80	70
Total	746	470	276

13. The demographic make-up of the two samples differs somewhat, as shown in the following two diagrams.



As we can see from these diagrams, the sample of coach passengers includes a larger proportion of passengers in the younger and older categories. The coach sample is also characterized by a larger proportion of female passengers. This is consistent with the notion that two of NEG's key consumer groups are students and older passengers, and that the coach is more popular with female passengers.

14. In contrast to the Southend rail survey, passengers were not asked as part of the coach/rail survey if they knew how the two services compare in terms of journey time and price. Rather, this question was used to screen out those passengers who did not know such information. Of all passengers asked to take part in the questionnaire, 11 per cent of coach passengers and 17 per cent of train passengers stated that they did not know how the two services compared in terms of journey time and price.
15. The 746 passengers in our sample (who all knew how the two services compared in terms of journey time and price) were asked whether it would be easy or difficult for them to permanently switch from using the coach (or train) to the train (or coach) for the journey they were making. The answers given by each set of passengers are summarized in the following table:

Would it be easy or difficult for you to permanently change from the coach (train) to use the train (coach) instead?

	Coach	Train	Total
Very Easy	18%	8%	14%
Quite Easy	18%	8%	15%
Neutral	39%	34%	37%
Quite Difficult	17%	27%	21%
Very Difficult	8%	23%	14%

75 per cent of coach passengers said that it would be easy or neutral for them to switch to the train. However, in contrast, train passengers generally believed it would be more difficult for them to switch to the train, with 50 per cent answering that it would be quite difficult or very difficult to do so.

16. Passengers were then asked if there was an increase in the price of their current ticket that would be sufficient to persuade them to switch to the alternative service. The responses from those passengers who found it easy or neutral to switch are as follows:

Of those who find it easy or neutral to switch:
 Is there an increase in the price of your current ticket that
 would persuade you to switch to the alternative service?

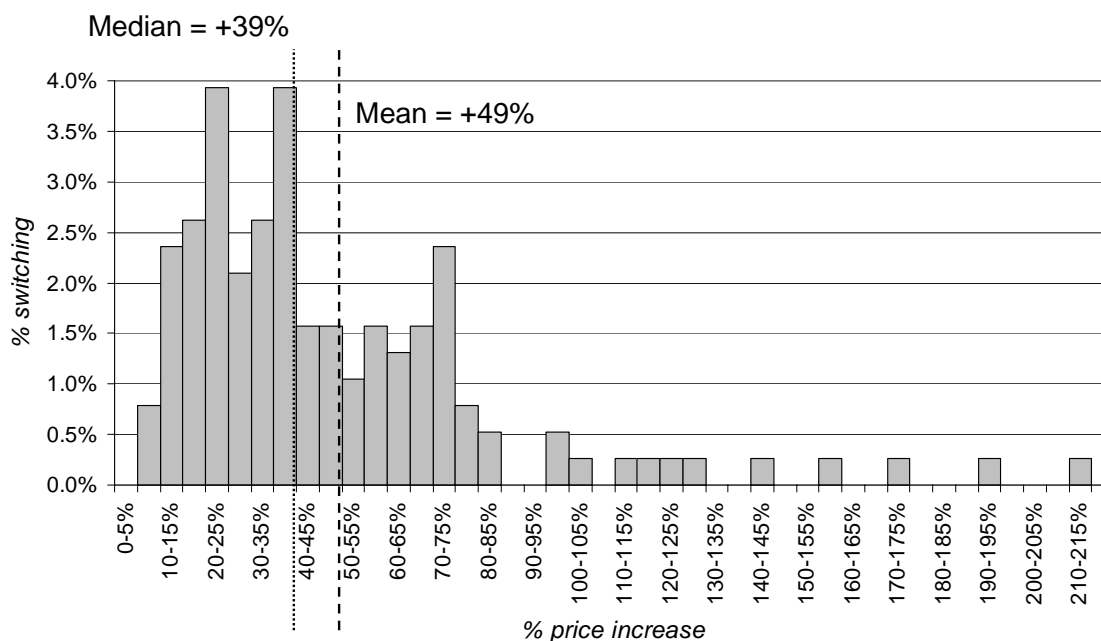
	Coach	Train
No, I would always use this route	45%	55%
Yes, a price increase would make me switch	55%	45%

17. One area of potential switching behaviour that was of particular interest in this inquiry was the potential for passengers to switch from the coach to the train service. Therefore, our analysis has focused on the level of price increase that might induce a coach passenger to switch to the train. In performing this analysis, it was decided to ensure that attention was focused on leisure passengers, since they make up the majority of the coach passenger base. To this end, 23 commuters and seven business travellers were excluded from the sample of coach passengers.
18. In addition, it was found that the coach sample included a small number of passengers who had purchased National Express 'Fun Fare' tickets (available only via the Internet with prices starting from £1). Such passengers had stated that enormous percentage price increases (ranging from 111 per cent up to 1,500 per cent price increases) would be required in order to make them switch to the train. The small number of such responses were found to significantly skew the distribution of price increases that would make passengers switch from the coach to the train service (with the mean being more than twice the median price rise). Therefore, 27 such passengers were excluded from this part of the analysis, in order to analyse the answers given by the majority of passengers who were purchasing standard ticket types rather than special offer tickets.
19. The percentage of coach passengers who would switch to the train in response to a price increase is shown in the following chart.⁴

⁴The figures shown in this chart represent the proportion of all coach passengers who (a) would find it easy or neutral to switch from the coach to the train and (b) would switch to the train following a price increase. All passengers know how the two services compare, since those who do not know how the services compare were screened out of the survey.

FIGURE 4

Price increases leading to switching—all passengers, excluding commuters/business travellers and cheap tickets



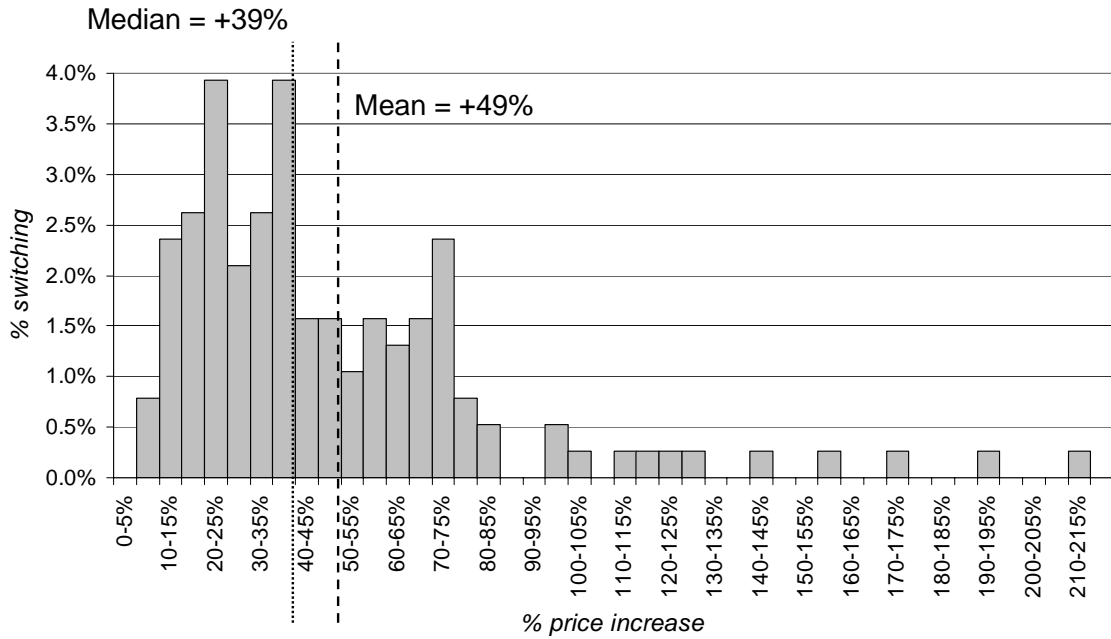
Source: CC analysis of survey results.

Interestingly, no coach passengers stated that they would switch to the train in response to a price increase of 5 per cent. Around 0.8 per cent of passengers would switch in response to a price increase of 5 to 10 per cent. Of those coach passengers who would switch to the train, the mean price increase required to make them switch is +49 per cent, with the median price rise required to induce switching being +39 per cent.

20. These results concerning switching behaviour have also been split according to the journey being undertaken (ie London–Norwich, London–Ipswich or London–Colchester). The results for each journey are summarized in the following three charts.

FIGURE 5

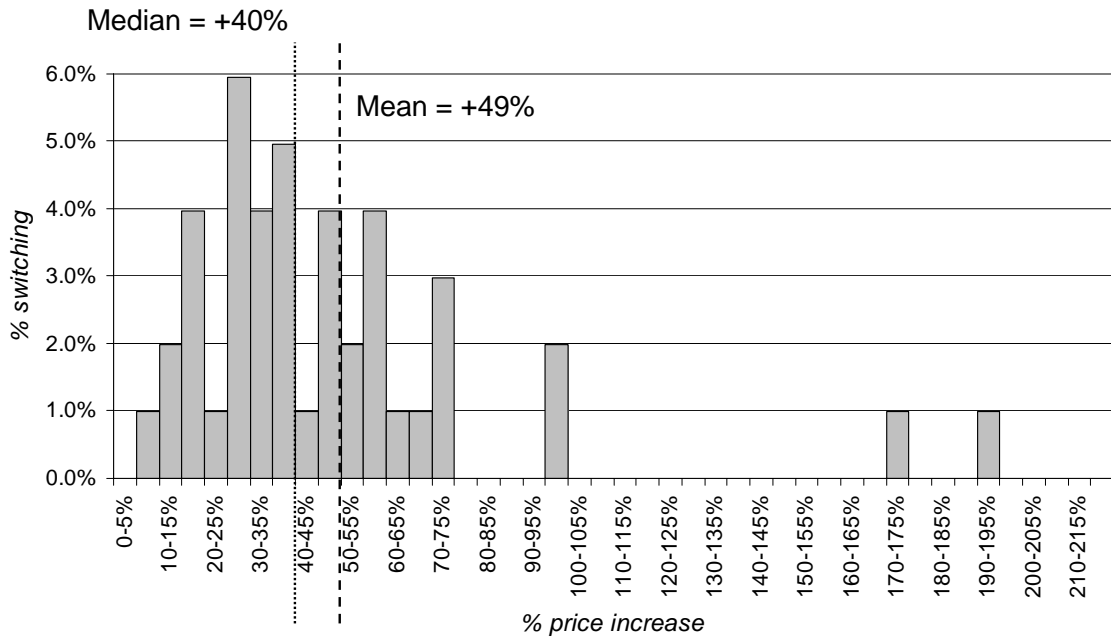
Price increases leading to switching—Norwich passengers, excluding commuters/business travellers and cheap tickets



Source: CC analysis of survey results.

FIGURE 6

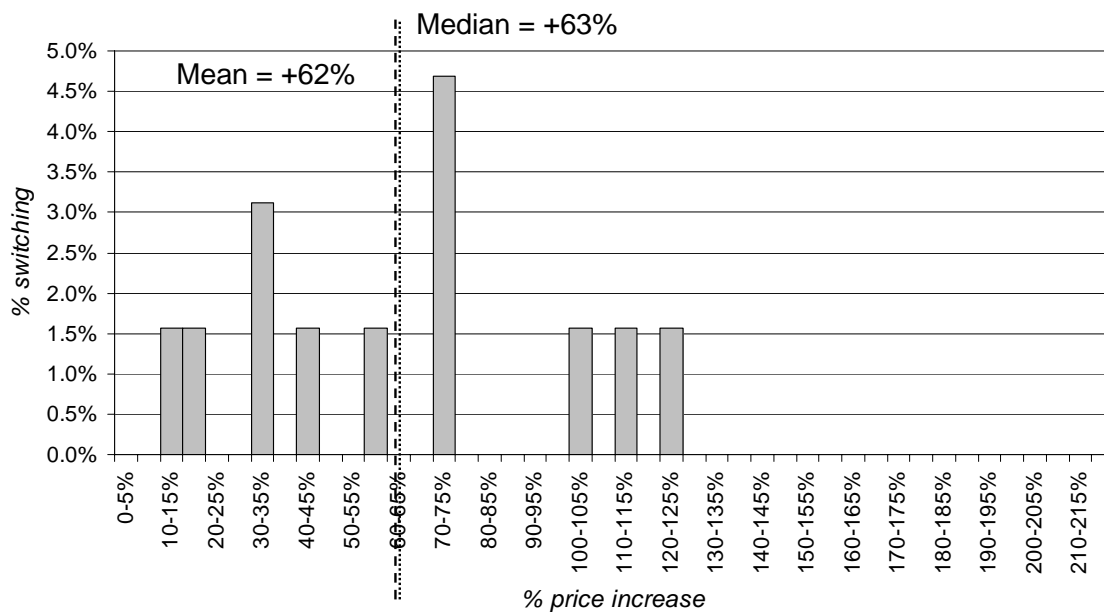
Price increases leading to switching—Ipswich passengers, excluding commuters/business travellers and cheap tickets



Source: CC analysis of survey results.

FIGURE 7

Price increases leading to switching—Colchester passengers, excluding commuters/business travellers and cheap tickets



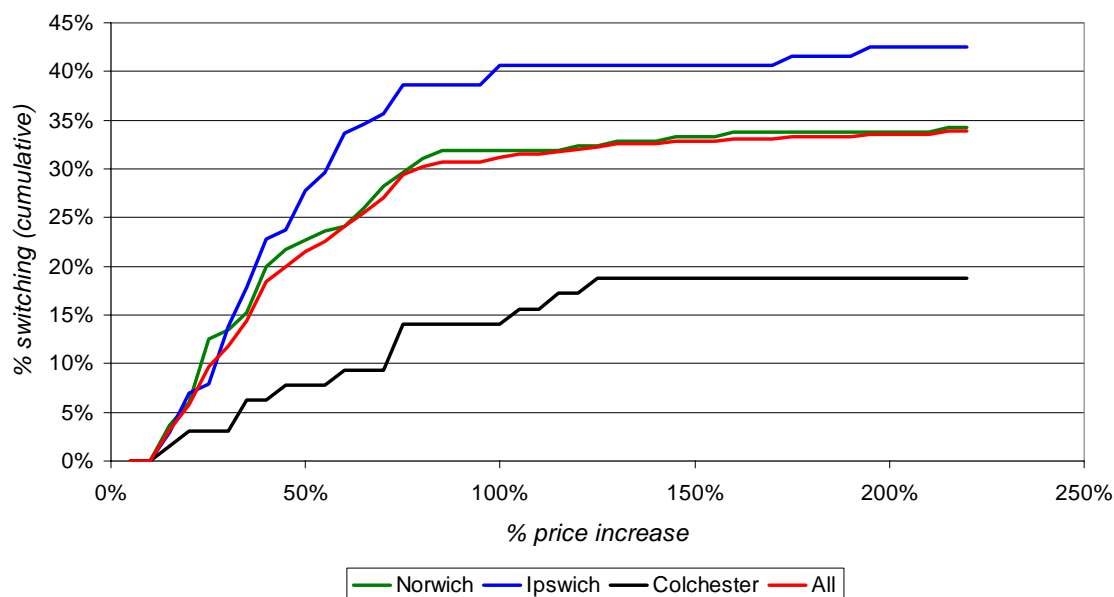
Source: CC analysis of survey results.

(It should be noted that the small number of observations relating to London–Colchester passengers means that these figures are subject to large confidence intervals, and should be interpreted accordingly.)

- The following chart shows the cumulative percentage of passengers on each coach journey who might be expected to switch to the train following an increase in the price of their current coach ticket.

FIGURE 8

**Cumulative switching as a percentage of total passengers
(excluding commuters/business travellers and cheap tickets)**



Source: CC analysis of survey results.

This diagram shows that, in response to a 25 per cent price increase, 13 per cent of London–Norwich passengers, 8 per cent of London–Ipswich passengers and 3 per cent of London–Colchester passengers might be expected to switch from the coach to the train.⁵ For a price increase of 50 per cent, 23 per cent of London–Norwich passengers, 28 per cent of London–Ipswich passengers and 8 per cent of London–Colchester passengers might be expected to switch from the coach to the train. (It should be noted that these figures only relate to the number of passengers who might be expected to switch from the coach to the train; it is possible that more passengers may decide to switch to an alternative mode of transport altogether in response to an increase in the price of the coach, but such behaviour is not captured by these figures.)

Summary

22. To summarize, out of the whole sample of respondents (excluding commuters and business travellers), the following results are obtained in relation to potential switching behaviour:

⁵In each case, it is assumed that the price of the alternative train service has remained unchanged.

Of the whole sample of respondents travelling by coach and train on the surveyed routes:

	Coach	Train
Find it easy or neutral to switch	67%	45%
And would switch in response to a price increase	33%	19%
Median price increase required	+39%	+23%
Mean price increase required	+49%	+30%

23. The understanding of these results may be aided by considering the table below. This shows the median price of coach tickets purchased by the passengers in the sample, along with the mean price that they would expect to pay on the train. This is presented along with the price of a saver return train ticket (as at 31 August 2004).

Price of current coach ticket compared with expectations about the price of the alternative train ticket and the true price of the rail alternative.

	Price of current ticket (median)	How much would you expect a train ticket to cost?	Price of a saver return on the train
Norwich-London	£19.25	£36.00	£32.60
Ipswich-London	£15.50	£29.33	£23.60
Colchester-London	£14.29	£26.89	£22.20

This table shows that the median price of the current coach ticket purchased is significantly below the price of a saver return ticket on the train. Not only this, but coach passengers consistently overestimate the price of travelling by train (when considering the price of saver return ticket) by between 10 per cent and almost 25 per cent. This may help to explain the large price increases that might be expected to be required in order to induce coach passengers to switch to the train.

Conclusions

24. The Southend rail survey does not suggest that there is a large potential for passengers switching between train lines. A large proportion of passengers do not appear to know how the two lines compare in terms of journey time and price, and a very small proportion find it easy or neutral to switch lines and would be prepared to do so in response to an increase in the price of their current ticket. Less than 3 per cent of passengers would be expected to switch services in response to a 10 per

cent increase in price.⁶ Therefore, the evidence does not appear to suggest that passengers view the two services as significant competitors to one another.

25. The coach/rail survey does not suggest that there is a large potential for passengers switching from the coach to the train. Whilst 67 per cent of coach passengers would find it easy or neutral to switch to the train, and 33 per cent would also be willing to do so following an increase in the price of their coach ticket, very large price increases would be required to induce them to switch to the train, with less than 1 per cent of coach passengers switching in response to a 10 per cent rise in coach ticket prices. Therefore, the evidence does not appear to suggest that there is a significant degree of competition between the coach and the train on these routes.

⁶It is possible that passengers' reluctance to switch services may be due to the fact that price is only one element of the whole 'generalized cost' of travelling on the train; other factors, such as journey time, time taken to travel to and from the train station, interchange time, waiting time and so on are all taken into account by passengers when making their travel decisions. Small changes in fares may therefore not generate a rise in generalized costs which is sufficient to make passengers switch from one train line to the other.