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**Date: March 2014** To: Siobhan Carty, Office of Rail Regulation
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# Consultation Response

[By email]
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## Retail market review for selling tickets – call for evidence

**Which? exists to make individuals as powerful as the organisations they deal with in their daily lives.**

- We began life in a garage 56 years ago as a volunteer organisation committed to providing expert and impartial advice. We are now the largest consumer body in the UK with almost 800,000 members: we understand consumers and what makes them tick.
- We operate as an independent, a-political, group social enterprise working for all consumers and funded solely by our commercial ventures. We receive no government money, public donations, or other fundraising income.
- We work closely with political, corporate and regulatory stakeholders to drive change for consumers.
- We plough the money from our commercial ventures back into our campaigns and free advice for all. Over the last 10 years this has enabled our charitable arm to increase its spending six-fold to £10m a year.

*Which? drives change in three ways:*

1. We provide information and advice to make complex markets easier to navigate.
2. Where choice and information isn't enough we campaign for fundamental change in those markets, and
3. When an important market fails to deliver value to customers, we develop products and services that put customers' needs first and are worth paying for.

**Which? welcomes the opportunity to comment on the ORR's retail market review, especially at this early stage. The review itself is very welcome because Which? has evidence – that we set out below – that there are significant problems faced by consumers in choosing the tickets that best suit their needs in this market.**

Where we have answers to the ORR's questions, they are as follows:

**1) What additional drivers (if any) of the review should be considered?**

The focus referred to here is the costs and drivers on TOCs in relation to demand for train tickets, including industry arrangements and practices and their relationship to TOC incentives to increase revenue and create new types of fares or products.

Innovation and complexity
We do not have evidence relating to these particular aspects, except to make the point that innovation in products has been slow compared to other markets:

- The recently launched Two Together Railcard is the only railcard to have been launched in more than the last generation, i.e. going some ten years before the sector's privatisation. All the other railcards were established in the British Rail era.
- Reward schemes – such as East Coast Rewards or Red Spotted Hanky's tie-up with Tesco Clubcard – remain few in number and limited in scope[1].
- Ticket types have not changed since the top-line rationalisation of 2008[2].

Innovation of tickets had actually been a problem before that rationalisation, due to a plethora of differently named but often very similar products from providers. We refer to it as a top-line rationalisation as the underlying plethora of individual fares largely remained. Using the Avantix Traveller CD-ROM shows no fewer than 82 non-season fares from London Terminals to Leeds, all of course with their different restrictions; and 65 fares from London Terminals to Edinburgh.

This of course exacerbates the complexities of accurately describing the products for sale and enabling consumers to make the best choices.

It is our understanding that the restrictions information supplied to ticket retailers is not of sufficient quality or quantity.

Our conclusion from this experience is that there is a role for the ORR to work with whatever other organisations necessary or desirable to encourage desirable innovation in the market while co-ordinating innovations to ensure that the already-complicated ticketing system does not become more so.

There is also a role here for the ORR's development of its forthcoming code of practice, to ensure that passengers are aware of and understand the products the market offers and are therefore able to make the best choices for their travel needs.

[1] In our survey of 1,272 adults in July 2011, for our October 2011 article found that 74% of people supported a national railcard, with 62% in favour of a 'train miles' loyalty scheme.
[2] Into Advance, Off-Peak, Anytime, Season.

2) **What is your view on the proposed scope of the review? What, if any, additional areas should be considered? What areas, if any, should not be considered?**

Expanded scope
We support the scope of the review as it stands, but encourage the ORR to expand it to:

- Ensure that it includes all current sales channels – there is a heavy emphasis on TOCs in the ORR's outline, but third-party sales channels are very important in the sector.
- Include sources of information that may not sell tickets, but come close to it in terms of providing detailed timetabling and fare information and potentially signposting consumers to places where they can purchase tickets. An online example would be the National Rail Enquiries website; offline examples include rail-appointed travel agents or non-National Rail station ticket offices.

3) **What features of the GB retail market for tickets work well? What features of the retail market for tickets work less well for passengers and industry?**

What works well
This review takes place against record numbers of passengers using the GB rail network. This makes it all the more important to ensure successful features of ticketing are retained or enhanced (for example through better communication) and problematic features eradicated.

Among the successful features, we would highlight the fact that the ticket price quoted is the price paid, that many aspects of ticket regulation have protected passenger benefits that are valued, that some ticket products carry considerable attractions for passengers:

- The (often poorly communicated) benefits of off-peak tickets, such as break of journey or being able to take a range of trains;
- The large cost savings that can be offered by Advance tickets for those able to book ahead.

What doesn't work well
The less successful aspects centre on poor communication of the key conditions of tickets, thus harming passengers' ability to choose confidently between the different products on offer and get best value. Despite the rail sector being primarily a service industry, where customer service should be a key priority, these are the current and basic omissions in the industry:

**a** *How* the ticket can be used – route validity, split ticketing, break of journey;
**b** *When* the ticket can be used – peak times, multiple peak times;
**c** *Where* the ticket can be used – which company/companies, route validity.

As our 2010 news story showed[3], there is a very wide spread of peak times, and no intuitive logic as to what constitutes peak time (whether it is based on departure or arrival; whether it varies by company, route, area or station). This is therefore a considerable information challenge for ticket retailers, to present passengers with the information they need to make informed choices.

Ticket machines and websites should display peak times for the journey and dates selected. In our October 2011 article, 51% of respondents did not know that off-peak tickets allow travel on any off-peak train. Fifty-eight percent did not know that anytime tickets allow return within a month of purchase, and 75% didn't know that you have five day in which to make outward travel on an anytime return ticket[4].

The Department for Transport's fares and ticketing review cited Passenger Focus research that 91% of passengers queuing at a ticket office could have bought the ticket they were queuing for at the adjacent ticket machine. However, Passenger Focus research[5] has also found major problems with ticket machines. When we researched ticket machines for our news story we also found major problems, including information buttons that gave text stating 'restrictions apply. Please enquire' or 'travel time restrictions apply'. None of the machines at the five London termini we researched described a London Travelcard in the same way[6].

Radical and urgent reform of ticket machines is therefore a critical development.

The terms and conditions of Advance tickets are often not clear to passengers at the point of purchase. When Which? researched train ticket websites, it found that just 1% of 775 respondents who had travelled by train in the last year could correctly choose all the attributes of the three main ticket types. Forty-eight percent of respondents did not know the critical point that they are valid for a specific train only. This is despite 76% of people in a survey telling us that they were confident they knew how to find out about ticket restrictions[7].

We have also found that the prices of Advance tickets do not necessarily get more expensive as the time of travel gets nearer, despite the heavy promotion to book ahead to get cheap fares[8]. ORR's recent research finds that 70% of on-train interviewees were unaware their Advance ticket was only valid for the specified train.

Themes from these findings have been echoed in a small-scale study that we have recently conducted as part of a larger pilot of the latest technology in mobile ethnography. The study involved recruiting a cross-section of 31 people in three locations across England[9],

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[3] September 2010 news story, Which? magazine.

[4] Survey of 1,272 adults in July 2011.775 of them had travelled by rail in the past year.

[5] July 2010.

[6] February 2012 news story, Which? magazine.

[7] Survey of 1,272 adults in July 2011.775 of them had travelled by rail in the past year.

[8] See Which?, March 2011, p. 18

[9] Quotas were set to ensure the sample included an even mix of gender; a good spread of ages from 18-70 in each region; a mix of SEG BC1C2D; a spread of life-stages (e.g. empty nesters, families with dependent children, young and single etc). All respondents owned an IoS or Android 'Smartphone' and self-reported as being comfortable downloading apps and uploading to sites. Participants were recruited from 3 locations in England: London, Coventry and Manchester. Participants were recruited via purposive recruitment methods using a screener.

and asking them to complete a number of tasks via an app they downloaded to their mobile phone. The benefits of this mobile ethnography methodology include being able to observe 'real-time' behaviour – i.e. what people *actually* do, as opposed to what they *say* they do, which, as the behavioural evidence shows, can be inaccurate and often suffering from post-rationalisation. Twenty participants completed the trains task, where they were asked to find and record their process of purchasing a train ticket for 1 adult from York to London return, going about 9am and back about 2pm on Thursday March 13th.

12 of 16 respondents reported finding the process of choosing the tickets straightforward. Some went further – emphasising how easy they found the process of findings websites through which to buy and then to choose a ticket for the scenario journey.

However, for many of the respondents this confidence was misplaced. Their ability to choose the best value seller of their tickets was very limited (with most following familiar buying patterns that did not necessarily match the needs of the scenario), and several respondents reported buying from National Rail Enquiries (which is of course not possible).

No respondents made any reference to the trade-offs involved in the purchase (between price and flexibility).

This lack of understanding of the different retail and product options available was reflected in the wide variation of prices chosen. These ranged from £48.50 to £249. While respondents completed this task within a three day period from 1st to 6th March 2014, the variance in time before travel does not correlate with prices found, as you can see:

| *Price reported* | *Date search conducted* |
|---|---|
| £53.50 | 6th March |
| £88 | 5th March |
| £156 | 5th March |
| £58 | 4th March |
| £87 | 4th March |
| £91 | 4th March |
| £48.50 | 4th March |
| £156 | 4th March |
| £88 | 4th March |
| £49 | 3rd March |
| £255 | 3rd March |
| £77.40 | 3rd March |
| £106 | 3rd March |
| £140 | 3rd March |
| £49 | 2nd March |
| £116 | 1st March |
| £249 | 1st March |

We would be delighted to present relevant video, audio and text material from this research to the ORR.

Finally, we attach the following Which? publications in addition and as part of our response:

- October 2007, September 2009, March 2011 – advice at ticket offices and on the phone consistently poor:

  50% correct answers in 2007;
  54% correct in 2009;
  49% correct in 2011;

- September 2010 - Peak times very extensive, variable and inconsistent;

- October 2011 – 1% of passengers identify all attributes of three main ticket types correctly, websites not communicating terms and conditions clearly and charging fees;

- February 2012 and March 2013 – Confusing and unclear information on ticket machines.

We look forward to attending the workshop in May. In the meantime, we are very keen to take up the ORR's offer to stakeholders of a face to face meeting.