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COMING DOWN THE TRACK

HOW MOBILITY AS A SERVICE IS BRINGING RAIL TO THE FOREFRONT

In partnership with



Written by
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Impressum

Coming down the track - how mobility as a service is bringing rail to the forefront

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Foreword

We are in the midst of a perfect storm which opens up the potential for rail operators to move more people by train.

Seizing upon momentum behind protecting the environment, massive industry investment, liberalization driving a heightened focus on the rail customer experience, government and EU directives and, rapidly changing consumer trends - rail operators could see strong growth in the years to come.

Rail may not have moved as quickly into the digital age as other segments of travel but now is the time to capitalize on some of the early initiatives.

Liberalization of the market is acting as a driver for rail operators to open up, collaborate and share data.



In addition, consumer expectations of everything live and available via digital channels are acting as a further impetus to change.

Many rail operators in Europe are getting their houses in order domestically when it comes to digital distribution, and some are looking beyond their borders with cross-border services plus extending their route networks by forging relationships with rail operators in neighboring countries for through tickets.

With the growing opportunity around Mobility as a Service (MaaS), it's a good time to consider what the future holds with increased ridership on shared transport modes, such as rail, as people shift away from personally-owned modes of transportation.

Rail remains at the heart of MaaS whether business, leisure or commuter travel, and initiatives across Europe demonstrate the opportunities for all.

The following white paper sets out in detail the drivers, challenges and opportunity for the European rail industry to develop and leverage the digital ecosystem that allows the transition to fully integrated distribution across Europe.

It also shines a light on Sweden's MaaS initiative which is a good example of successful collaboration and data sharing in the industry.

Today, like never before, consumers have many options in how they choose to travel, let's work together to make rail more connected, continue to improve the booking and on-board experience and make rail the first choice.

Cameron Jones

Chief commercial officer, SilverRail Technologies

Rail and the consumer drive for instant gratification

The ever-increasing availability of information online has given rise to expectations of travel companies to deliver relevant information and services in seconds, regardless of how consumers choose to access those services.

Let's face it, these days it's not just via desktop or mobile, it's potentially via a chat service such as WeChat or WhatsApp, a social platform such as Instagram or a voice device in our homes.

These expectations have only been sharpened by the advent of brands such as Amazon and on-demand services from Netflix and Uber, driving users to expect everything to be available in this way.

Rail is no exception and, despite a complex and fragmented landscape with domestic and international connectivity challenges, the sector is facing increasing pressure to ensure a seamless door-to-door booking and travel experience across Europe.

In short, if a research and booking process is not as easy as the few clicks it takes to book a hotel or flight, then rail will never be considered as a first option.

A further impetus for change is the growing movement across Europe for a more environmentally-friendly way of life and it's no surprise that travel and transportation are under great scrutiny.

It's fair to say that the movement is stronger in northern Europe and especially the Nordic countries than elsewhere.

In Sweden, for example, "train bragging" or Tågskryt has been adopted as a phrase by people choosing the greener option.





Gen Z catalyst

While all demographics are waking up to environmental issues, it is Millennials and younger generations that might be seen as a bit of a catalyst for change.

These up and coming cohorts have a heightened awareness of their impact on the environment. They're turned off by brands deemed to faking their environmentally-friendly credentials and, they also have high expectations and zero loyalty to brands which they do not perceive as providing value to them.

And, it's not only about being on mobile or the particular channels where different generations hang out, travel companies also need to think about how to appeal to them.

[Recent research from Adobe](#) shows 55% of Gen Z - those born between 1995 and 2005 - want apps and services that not only help them budget for trips while 46% want them to book, track and manage the full trip.

Similarly, a [study from Expedia](#) entitled 'How Younger Generations are Shaping the Future of Travel', reveals that activities and experiences drive this generation whose starting point for trips is "how am I going to get the best from my travel?"

The study shows 70% of Gen Z travelers use their smartphones for inspiration and 80% feel social media can be influential. In addition, two thirds are undecided about where they want to go leaving ample opportunity for travel suppliers to inspire them.

For rail operators, grappling to make products and services, such as cross-border tickets, available on digital channels, Gen Z brings additional pressure. Many are even a little fearful that these demographics might never graduate to rail if it is not appealing and easy to buy where they hang out and shop.

Rail as the backbone of MaaS

The concept of mobility as a service - MaaS - might have come just at the right time for rail. It could act as the starting point for operators to open up more and share data with the goal of truly integrated domestic and cross-border services.

MaaS is defined as an on-demand mobility service combining different forms of transport and is already driving different transport modes from national rail operators and public transport authorities to taxi and scooter companies to partner and collaborate around standards for data exchange.

Rail is seen by experts as the backbone of MaaS, providing green public transport, often an essential part of the journey for business and leisure passengers as well as every day commuters. But, in order to succeed with MaaS, rail operators across Europe will need to provide an user-friendly, convenient and seamless passenger experience across the whole journey including the all important first and last miles.

As SNCF president Guillaume Pepy said recently:

"We are convinced that to offer more trains, we need to offer more than trains. We need to be able to offer our travelers the possibility to go from departure point to destination, by combining sustainable modes of transport with a railway backbone."

Although he was speaking as SNCF announced a joint project with France-based car pooling service BlaBlaCar, the intention is clear.

Other initiatives unveiled in recent years also point in this direction. MaaS Global launched a MaaS application called "Whim" in Helsinki, Finland in late 2016.

The service connected many of the city's mobility options within a single app and enabled users to combine, plan and pay for public transport, taxi, car rental, car sharing and bike trips.

Recent [research on the Helsinki model](#), from engineering consultancy Ramboll, and based on a year of data, reveals that MaaS consumers use public transport more with 48% of all trips by Helsinki residents made by public transport compared to 73% of all trips for Whim users.

The study also shows these MaaS consumers are multi-modal and that the model is helping to solve the first and last mile challenges.

A similar initiative was recently announced for Berlin between the city's public transport company, BVG and, mobility technology startup Trafi.

The partners plan to launch a mobile service this summer called Jelbi which connects mobility providers in the German capital and enable consumers to use different transport modes "seamlessly" via a mobile application.

But the report also highlights a big driver for combined services. It points to United Nations estimates of 68% of the world's population living in urban areas by 2050, currently the figure is more than 50%.



Let the train ease the pain

While the digital wave permeating all sectors of travel and the environmental impact of cars and planes are highlighting trains as an option, if not an alternative, it's not enough.

[Research from Phocuswright](#) in 2018 reveals that rail is currently falling as a choice among French and German travelers. The Travel Products report shows that when travelers don't fly, driving is the preferred method of transportation. It adds that less than 25% of travelers in France, Germany and the U.K. chose rail and by contrast, 62% of Europeans traveled by air.

This could, in part, be down to the lack of a truly cross-border integrated ticketing system and not only for rail, but also including other transport modes.

Despite this, passengers are clear on the advantages of integrated ticketing across Europe. According to the 'Remaining Challenges for EU-Wide Ticketing And Payment Systems' [study](#), a 520-strong passenger panel, supported

by in-depth interviews with consumer travel organizations, revealing lower prices and promotions, easy booking and guaranteed journey connections as the main benefits.

Further, a survey following a cross-border pilot involving 500 people traveling between Aachen in Germany and Maastricht in the Netherlands revealed that 80% of the 250 respondents agreed that cross-border travel is easier with a single card or token.

Rail providers therefore need to play up their advantage and continue to highlight the environmental friendliness of their products and services and all the while, continue to make them easy to research and book.

Many believe the complexity and frustration of air travel is helping to throw a positive light on rail as a more productive option which offers a far better traveler experience. Taking the train often means shorter total journeys with less time, and less stress, required to move through railway stations.



Freedom to roam

Liberalization has been a long time coming and is still a way off.

In some countries rail is seen as inextricably linked with the state. It's a big ask for countries and governments that have long held control of rail infrastructure and services to now relinquish that and let other players compete for those services.

The MaaS concept is showing the way to a certain extent, but cooperation has to be balanced with competition and it's not an easy task.

While some countries, such as Sweden, which split operations from infrastructure in 1988, are deemed to be ahead of the game, others are just beginning the journey.

However, the European Union's Fourth Railway Package legislation opens up the whole market, including the infrastructure, to new passenger operators from 2020.

So far, it seems that liberalization has driven existing operators to act faster and even up their game when it comes to putting consumers first.

But, even as liberalization helps drive change and foster collaboration, the landscape remains complicated.

Rail industry stakeholders are grappling with Public Service Obligation (PSO) operators, which continue to be subsidized by the authorities and Open Access providers which are commercial businesses in their own right.

The two different market models add complexity with different rules, tariffs and regulation governing each model all contributing to a complex environment for rail operators to deal with domestically as well as internationally.

Traditional state-owned rail operators have been rising to the challenge and pressure to digitalize operations and make schedules, fares and tickets available in online channels.

Increasingly, they also have to have one eye on cross-border travel and weigh up the potential business benefits of linking up services and allowing third party distributors to access their data and inventory.

TechnoLOGICAL change

The technology platforms used by many rail carriers today present their own set of challenges and need some updating. And, in general, rail is not seen as having adapted to the digital world although many companies are making strides in developing ways to work with web channels such as Google and Skyscanner.

Investment is required to improve core systems to make them more scalable. Today's consumers have a huge thirst for information and expect up-to-the-minute schedules, delays information and details of train carriages. They are also used to cancelling and amending trips so reservation systems must be able to cope with demand.

However, the bigger challenge is in integrated ticketing solutions. While the conversation in online flight booking has progressed to best price and ancillary services, in rail, it seems as if explanation around how to book is still required.

Here too, there are already many positive signs of change and collaboration is ongoing.

Liberalization has played a role in fostering more of a spirit of openness and collaboration, with rail providers, old and new, coming together over initiatives such as the Full Service Model (FSM).

FSM, launched in 2013, is an industry-wide initiative with railway operators, open access members, global distribution systems and rail technology players.

The aim of the group is to develop an open technology specification for the distribution of rail products by all third parties.

Vittorio Carta, FSM initiative manager, TSGA vice president and transport policy Europe manager at Deutsche Bahn says:

"We started FSM because we recognized that the need for cross border ticketing should be driven by an alternative to individual and bilateral IT solutions.

"FSM is working on the technical side to support a B2B data exchange along the online distribution value chain."

The technology framework also takes into account the trend towards multimodality so that further transport modes can be easily integrated going forward.



Cooperation towards a world without borders

With rail operators and other stakeholders now sitting down to discuss standards and commercial challenge, business relationships are seen as bigger issues going forward.

While airlines created the global distribution systems decades ago providing a central access point for their products and services for the travel agency community, this has not been the case in rail.

However, advances in technology are making connections easier and a distributed IT solution is viewed as an alternative to a central point of access.

This is the objective of FSM and those involved in it and in TAP TSI, an EU standards specification for the exchange of rail data and overseeing the establishment of a governance structure called TSGA. TSGA is a neutral resource to ensure that basic ticketing-related information and services are widely provided to TAP TSI stakeholders, so that European rail travelers reap the rewards ultimately.

Of FSM, Roberta Rizzo, TSGA administrator and responsible for international relations at Trenitalia, says:

"Building up new standardized distribution systems will have high costs and not definitely meet the needs of travelers. The most pragmatic solution is to focus on the development of standardized connections - APIs for example, between existing distribution systems."



TSGA president Begoña Delicado, who is head of European and digital affairs at Voyages SNCF, also highlights that one of FSM's biggest achievements has been to sit in a room with potentially competitive players and still agree terms for establishing IT specifications.

Speaking as TSGA president, Begoña Delicado says:

"Today FSM seems obvious but in the beginning it was not so easy to sit around the table, we saw each other as more enemy than ally. Thanks to the initiative, we're working with each other, GDS and travel agents. And it takes time to build trust between players and that is an added value of FSM."

Anecdotaly, demand for cross-border tickets is still in the mid-single digits and therefore not seen as big business for train operators. However, it is recognized as a big opportunity for those willing to invest.

Newer players, from online travel agencies such as Ctrip and Expedia and Omio (formerly GoEuro) are also helping to stimulate the market.

North Star - case study

Sweden took steps to begin addressing some of the data sharing and improved connectivity some years ago.

In many ways the model there could shed some light on one possible way forward for other countries.

The country is one of a number across Europe that tackled rail deregulation early on. In 1988, the Swedish Parliament decided to open up rail to private companies by splitting ownership of the track from national rail operator, SJ.

Similar to the statement from SNCF president Pepy, SJ wanted to be able to increase its offering and sell more but to do that, it realized it would need to connect more locations.

The development also opened up opportunities for technology companies such as SJ's booking technology arm Linkon, now part of SilverRail and Samtrafiken, a B2B company that collects and coordinates all public trans-

port data including timetables, ticketing and real-time information about disruption.

Samtrafiken also runs Resplus, a cooperation between about 40 companies, which began in 1991 initially as a state railway initiative.

Resplus offers a multimodal ticket for long-distance, regional and local trains as well as trams, the underground and commercial bus and boat services. Pre-booked taxis are also available as part of the service in less populated areas.

Gerhard Wennerstrom, chief executive of Samtrafiken, says the development, has been of huge benefit to consumers who now have everything in one place and no longer have to concern themselves with the different operators and modes of transport.

He adds that it makes for an easy and joined-up experience for customers.



"We have been transforming all transport modes so they look like train tickets. We have tricked the booking system so it believes all the transport services look like train tickets and you can buy them in advance like train tickets."

Currently the service works well for tickets bought in advance, but going forward, the dream is to make buying more spontaneous or "on the move" travel just as seamless.

Wennerstrom says there are technical issues around interoperability as well as the challenge of how to describe the product in each of the 21 different regions in Sweden. He explains that pre-purchased tickets are big business for long-distance rail but only a "marginal product" for the regions.

"Therefore, the regions have accepted quite a few exceptions from their ordinary offering just to make the products compatible with the national rail."

However, once the discussion turns to "on the move" ticket purchases which make up the majority for the regions, it is more difficult to find common ground.

"The products are rather different in respect of detailed features and it makes interoperability rather complicated."

Given what the country already seems to have achieved with Resplus as well as the growing support for more environmentally-friendly modes of transport, further progress is on the cards.

Wennerstrom feels that too many countries in Europe are acting on their own with, in some cases, the state still dictating how collaboration should take place. He firmly believes that as Europe heads towards further liberalization, others can look to the Swedish model for help.

There is also great opportunity for the Swedish model to extend beyond its country border to other parts of the Nordic region and, perhaps act as guiding light for the rest of Europe.



Where next?

The future for joined up rail both domestically and internationally is in a funny way about more of the same. More collaboration, more investment and more sharing of data.

The Challenges of Integrated Ticketing report referenced above also points to 11 ongoing projects with cross-border scope. It concludes that data access and cooperation between stakeholders continue to be huge barriers.

Today, the TSGA stands as a good example for businesses to make further steps towards digitalization.

In order for concepts such as MaaS to really work in addition to seamless travel across borders, travelers need to be able to easily access all the information, including schedules and pricing, especially in times of disruption.

And, that is not to say that MaaS does not have its share of challenges around collaboration and data sharing. For example, time-table and availability data, pricing of different modes and issues such as who owns the brand behind the service are all cited as challenging areas.

And, according to the Ramboll research, there are fears that MaaS could foster a “taxi culture”, divert consumers away from public transport and take away valuable revenue from existing transport providers.

These challenges aside, the more data that can be collected, the more suppliers can understand demand and deploy assets and move people around more efficiently.

But there is also a conundrum here for national governments who on the one hand need to make money but on the other must address environmental concerns.

In her role as TSGA administrator Rizzo also observes that a level playing field is needed between transport suppliers. She says that while rail is already positively contributing for CO2 emissions and can therefore prove its efficiency and green credentials, other transport providers such as airlines are not.

Carta says:

“Our goal is to offer zero emissions and environmentally sustainable offers and then we see flights sold for 99 cents.

“Rail operators are playing an important role but trips that are not necessary need to be addressed and the idea of sustainable travel, not just sustainable booking.”

However, there is wide recognition from all parties that progress cannot be held back.

As TSGA president, Delicado says:

“We did not have a smartphones 10 years ago and had to buy a ticket in a shop. Today almost every single customer can buy on a phone, validate a ticket, change it and they are informed of delays.

“The situation has changed so much that it’s quite challenging to think how it will be in five years time because we were not able to anticipate all this technology 10 years ago, and, for sure, it will be driven by the consumer.”

Again, developments in Sweden might provide some clues. Delicado highlights colleagues in the country that already have chips embedded in their hands to open gates at railway stations or act as e-tickets.

More widely, developments around biometrics and mobile phones should also make for a more seamless journey going forward.

Don't get left at the station

So, while consumers of all ages continue to act as the driver for change, development is not going to happen overnight.

The challenge of commercial relationships between rail operators as well as between operators and suppliers of other modes of transport remain.

Furthermore, the complexity in the business models of PSO and Open Access, adds another dimension which is difficult to navigate.

And, finally there is the strong need for standards around distribution and inventory. This is now being addressed and should act as the green light for further positive developments and collaborative efforts.

Key takeaways:

As liberalization approaches, the rail industry in Europe stands to benefit from the growing opportunity of cross-border services.

Developments around Mobility as a Service highlight how rail is embedded in the wider ecosystem and how it can position itself to get more people on trains and benefit consumers.

Initiatives such as FSM have kicked off a spirit of collaboration, but dialogue needs to go deeper and further.



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