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CAN WE TWEAK THE FORMULA?

Customer satisfaction should factor into fare revenue equation

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ON JULY 10, 2008, the Public Transport Council (PTC) announced the cap to the fare revenue adjustment for public transport operators would be 3 per cent.

The adjustment was derived from the revised fare formula pegged to macroeconomic factors.

The factors took into account the changes in the Consumer Price Index and average monthly earnings, as well as public transport operators' average productivity gains.

This adjustment is intended to protect the interests of commuters while balancing the commercially-driven needs of public transport operators in Singapore.

The Institute of Service Excellence at the Singapore Management University (SMU) wishes to propose that customer satisfaction be also taken into consideration when the PTC and public transport operators adjust fares. This will yield a more holistic approach to fare reviews since the interests of commuters is a priority.

The inaugural results of the Customer Satisfaction Index of Singapore (CSISG) were released on April 7, 2008, and it measured customer satisfaction levels across eight economic sectors and 31 subsectors including the MRT and public buses.

The CSISG is a national barometer of customer satisfaction in our economy, and is based on the econometric modeling of data obtained from face-to-face interviews with actual users of products and services. In the case of public transport, the results for the MRT and public buses subsectors were obtained from the responses of 1,182 commuters.

There are three outcomes from the national study which are relevant for the PTC and public transport operators:

First: In terms of overall satisfaction levels, the MRT scored 69.9. This was significantly above the Singapore national average of 68.7. On the other hand, public buses scored 64.3, significantly lower than the national average.

Second: Under the CSISG causal model, customer satisfaction has three driving factors: Customer perceptions of the overall quality of the service provided; customer expectations; and value-for-money. The national study found that commuters for both the MRT and public buses have identified overall quality to be the overriding driver of customer satisfaction levels.

Between customer perceptions of the overall quality and value-for-money factor, perceived quality has the larger impact on commuter satisfaction.

For MRT commuters, a positive increase in perceived quality raises customer satisfaction twice as much as a similar increase in perceived value-for-money.

For commuters of public buses, a positive increase in perceived quality has triple the impact on customer satisfaction as compared to a similar increase in value-for-money. Price affordability to commuters is important but it is not as important as perceived overall quality.

The key implication here for the PTC and public transport operators is that should there be an increase in public transport fares, they have to, at the same time, raise overall quality standards which are visible to commuters.

The performance of both subsectors in the national study has shown that there are immense opportunities for transport operators to further improve the commuting experience.

Third: The majority of commuters in Singapore are faced with little or no choice in public transport here. Through the study, they have expressed that they value quality attributes such as transport schedules, frequency, accessibility to services, and comfort.

In light of these findings, it would be prudent for public transport operators to articulate any increase in transport fare in the form of visible quality improvements for commuters. The added qualitative dimension will serve to benefit commuters at large, while complementing the affordability indicators being considered by the PTC.

Doing so will positively impact the long-term profitability of transport operators. The service improvements would, in turn, contribute to building a truly world-class transport system in Singapore: One that directly benefits the commuting public.

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