

FARE DEALING ON THE INTERNET

When it comes to selling train tickets, Stagecoach's Megatrain has broken the mould. There aren't any. Paul Clifton questions whether the idea will catch on

First came the internet-led airlines, transforming their industry. Next came Megabus. It's now a success, carrying 2m passengers a year between 40 towns and cities. So Stagecoach wanted to transfer the web-based and paperless budget fares system to its rail business.

But on inter-city trains, ticketless travel is still something of a novelty.

'The principles of Megatrain are the same as Megabus,' explains Ian Dobbs, head of the Stagecoach rail empire and chairman of SWT. 'You incur a small 50p booking fee and the bottom price is £1. You book online and a unique number is sent to your mobile phone. The guard is sent the same number so he can check it, just as bus drivers do on Megabus.'

It launched last November on two trial routes – Southampton and Portsmouth to Waterloo. In April it expanded to cover Bournemouth, Weymouth, Exeter, Salisbury, Bristol and Bath. In June Virgin Cross Country joined in, with fares from Edinburgh, Penzance and Manchester. A hundred thousand people have used it, and the website has had a million hits.

'Seven per cent of those Megatrain passengers would have gone by car in the past,' says Dobbs. 'Twelve per cent wouldn't have travelled at all; 30 per cent would have taken a coach. Eighteen per cent would have paid a walk-on fare and 30 per cent would have booked ahead. So there is some abstraction from our standard fares. The trick is to make sure it isn't excessive. We're trying to stimulate a new market, but we're not a charity.'

Although at least one in three passengers



Passengers book online and pay a 50p booking fee – the bottom price is just £1. A unique number is sent to their mobile phone as proof of payment.

Alex Mox – FOTOLIA



Megatrain is popular with students, as they can often gear their journeys around the cheapest fares.

would have travelled on those trains anyway – and paid higher fares to do so – SWT insists it is not upset by it, as the remaining two out of three passengers represent new business that might come back time and again.

Stagecoach was keen to prove it could think ‘outside the box’. Though the company says there’s no direct link, Megatrain’s launch during the bidding process for a renewed franchise was surely more than fortuitous timing. A decision is anticipated from the Department for Transport this month and if Stagecoach wins a third term on SWT a further extension of Megatrain is planned. On Virgin, the budget fares are offered only on peripheral regional routes such as Bristol to Plymouth and Manchester to Glasgow. It wouldn’t make sense to peddle lower fares through the already-congested Birmingham hub, even in the most subdued off-peak.

Could it be extended beyond Stagecoach’s own businesses? ‘It could be adopted by others if they wanted,’ says Dobbs. ‘They could use the same portal to sell tickets, in the way Virgin does. I’m not sure it could be done by open-access operators, though. The whole point is that Megatrain is filling up seats on existing trains that are currently running around carrying fresh air. It costs almost nothing to run.’

Passengers like it. SWT says 98 per cent of passengers are either ‘very impressed’ or ‘impressed’. More importantly, 94 per cent of those questioned by the company’s researchers said it was a positive reflection on the parent brand – in other words, they think better of SWT as a result. ‘How do you put a value on that bounce-on effect? It’s a good business; as simple as that,’ says Dobbs.

Because it is aimed at new passengers, you won’t find many advertisements at SWT stations. The marketing is on the Tube and it’s on roadside billboards in cities served by Megatrain. Its market research has found that 49 per cent of passengers heard about it by word of mouth. Not surprisingly, it is popular with students, who are flexible about timings

and prepared to wait for the cheapest service. And spreading the message around universities and colleges happens all by itself. Dobbs says the advertising budget has been very modest.

So do the finances stack up, or is this a franchise-winning loss leader? ‘It’s positive,’ says Dobbs cautiously. ‘We’re making a small amount of money on it. The costs of setting up are very low, and there are virtually no overheads. It was based on the Megabus website and server, and the trains are all running anyway. All we had to do was to buy a couple of computer servers and brief the guards on how it works.’

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and we’re taking 1,000 bookings a day. A thousand is good but when we get to 2,000 a day, the overheads will still be exactly the same as they are with 1,000.

‘Yield management fares, of which Megatrain is the most flexible example, are being used by many rail companies. There has been a big explosion of these fares in the last 18 months in particular. GNER, Virgin, Midland Mainline – they’re all chasing volume and managing their fares to fill in the excess capacity. This is a variation on the theme.’

Most of the fares are not £1. Stagecoach promises a £1 fare on every Megatrain, but on some services it really is only one single seat. The average single fare is £4, plus the 50p booking fee, making a typical day return £8.50. That’s still far cheaper than any other fare offered on SWT. They’re proud of it.

‘If I had told you five years ago that South West Trains would have online booking with no tickets, where the booking reference is texted to your mobile phone and to the guard, you would never have believed it!’ declares Jane Lee, SWT’s head of public affairs. ‘And there’s been a lot of criticism about rail fares being too complicated. Could anything be simpler than the Megatrain site?’

‘In the early days it was difficult to persuade the Government to let us do this,’ Dobbs confides. ‘We were working outside the rules. And the ticketing settlement agreement didn’t allow this kind of fare, other than on a temporary basis. It took them a while to see this was win-win. For the Government it gets cars off the road, for passengers it saves money and for us it makes money.’

‘Megatrain has pushed the boundaries of the traditional fares rule book.’

