Case Study

The new discount model from the A-Welle fare association: Digital, flexible and demonstrably profitable.

FAIRTIQ

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The A-Welle fare association in Aargau, Switzerland and FAIRTIQ joined forces to develop and market-test new digital discount models aimed at attracting occasional and frequent passengers for whom buying a season ticket does not make financial sense. A-Welle's key aim was to offer attractively priced digital solutions that would better respond to changing customer needs and drive ridership. The results of market tests demonstrate that discounts based on the customer's total monthly spend lead to more regular public transport use and generate additional revenue for the fare association. Based on these findings, A-Welle decided to introduce the 'premyo' discount model on the FAIRTIQ app as of 1 December 2024. The following case study documents the solution, challenges encountered, and the positive results.

"We have noticed that our customers are definitely switching to mobile pay-as-you-go ticketing solutions like the FAIRTIQ app. In FAIRTIQ, we have found a partner who has enabled us to market-test two discount models over a particularly short period."

Christine Neuhaus, Managing Director, A-Welle Fare Association

About A-Welle, a FAIRTIQ partner

The A-Welle fare association coordinates a wide range of transport services including buses and trains across the canton of Aargau and in parts of neighbouring Solothurn. Since 2017, anyone travelling on the A-Welle fare network has been able to purchase their tickets via the check-in/check-out FAIRTIQ app. Four years later, A-Welle became the first fare association in Switzerland to introduce a monthly cap, which it hoped would be more compatible with shifting mobility patterns and appeal to frequent users who no longer want to commit to a season pass. The purpose of the market test was to identify pricing models that responded most effectively to evolving needs, particularly customers who feel that a season pass no longer offers compelling value for money.

Monthly cap: A-Welle's existing fare product for frequent users

When passengers travelling on the A-Welle network spend above a set amount during a given calendar month, all fares beyond this threshold are credited to their FAIRTIQ account, which incentivises public transport use. Following the successful market test of the fare cap, A-Welle decided in 2023 to extend the project indefinitely.

The challenge: optimising the fare structure for non-season ticket holders

Like many fare associations, A-Welle faces the double challenge of meeting the needs of users for whom buying a season ticket makes no financial sense and consolidating customer loyalty. Other concerns include:

Outdated pricing models

From inflexible season tickets to expensive single fares, conventional fare products do little to encourage occasional travellers to increase their public transport use. Many potential public transport users ultimately choose other forms of mobility due to the dearth of ticketing options that meet their travel needs.

Sub-optimal flexibility and customer loyalty

Existing discount systems are not good at incentivising recurrent public transport use. In addition, most are not designed to specifically encourage greater customer loyalty and increased public transport use among passengers who travel frequently on public transport but are not season-ticket holders.

Need for digitalisation

Selling paper tickets is expensive, outdated and inefficient. Greater digitalisation is key to streamlining sales processes and making public transport a much more appealing mobility choice.

The solution: market-testing of new discount models

To address these challenges, FAIRTIQ and the A-Welle fare association conducted a market test of several innovative digital discount models. The purpose of this test, which ran from March to July 2024, was as follows:

Create attractive fare products

Non-season ticket holders should be given a genuine alternative to the current, and often more expensive solution of individual tickets that is not only easy to use but also incentivises them to travel more on public transport.

Digitally transform earlier discount models

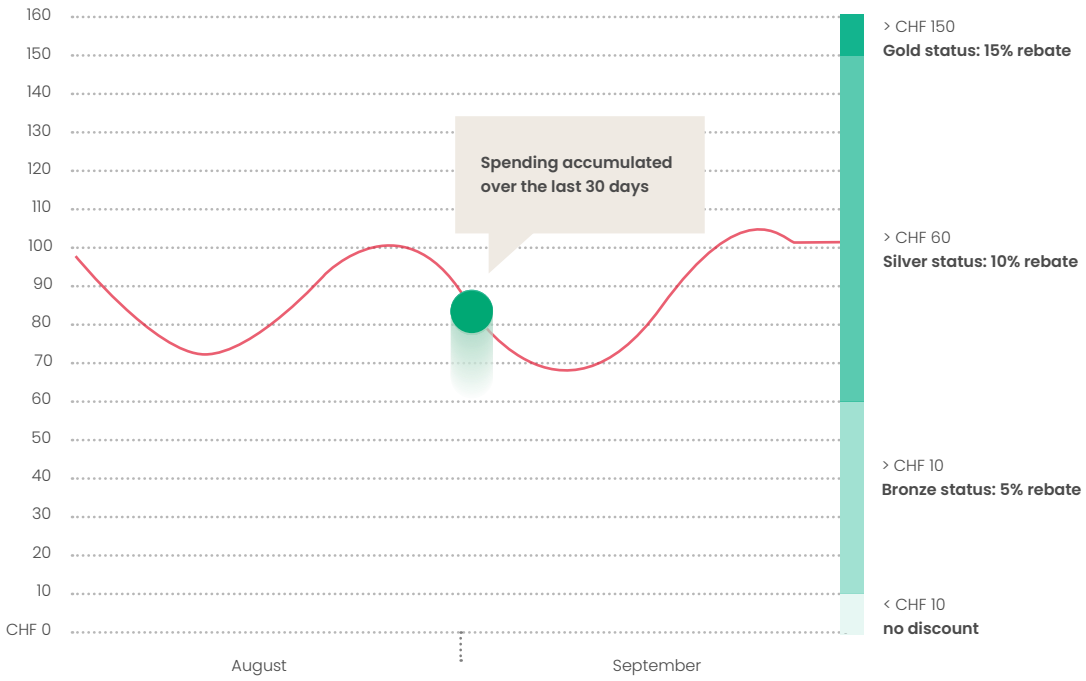
Outdated paper-based multi-journey tickets should be replaced by attractive digital versions that are easy to use and available in the FAIRTIQ app.

Test design and methodology

The design of the market test was similar to an experiment protocol. A sample of A-Welle fare network customers who use the FAIRTIQ app were chosen and divided into three groups: two test groups, each of which were assigned to a specific discount model; and a control group with no fare discounts. Each model had its own discount rate schedule.

The more frequently the test participants travelled on public transport, the greater the discount they received. The other major differences between the models were:

Rolling discount



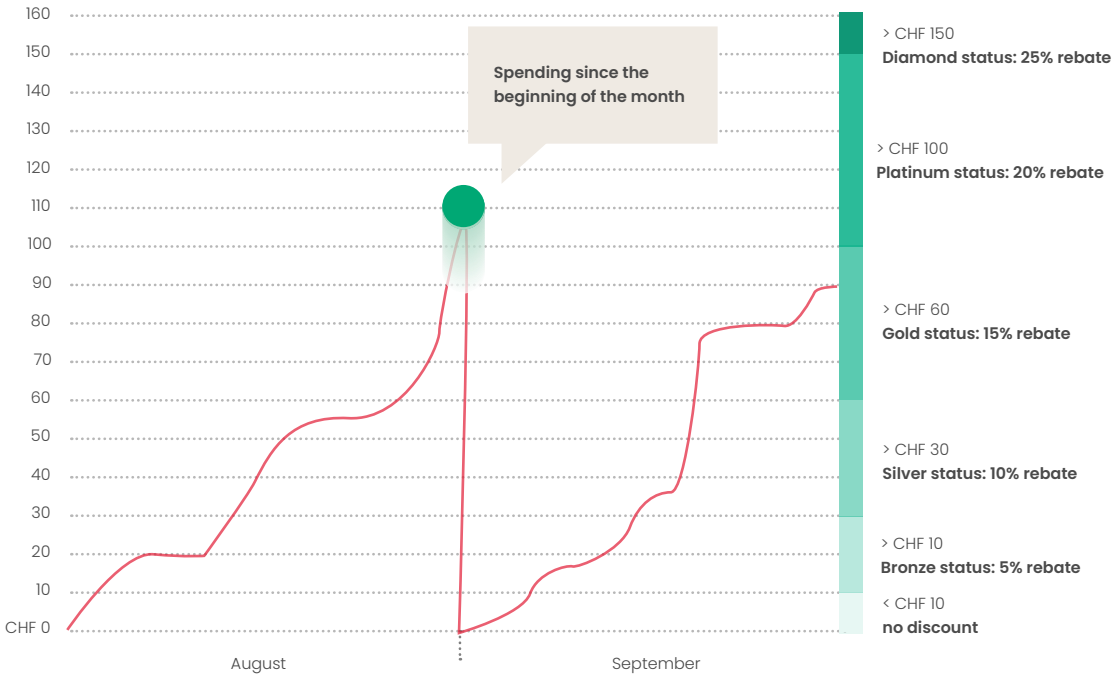
This model is based on the user's total spend over the previous 30 days. Once they reach the upper spend limit, the discount rate remains the same.

Continuity incentive

This discount functions like 'streak' and 'status' rewards, whereby users who travel on public transport every day enjoy uninterrupted discounted fares.

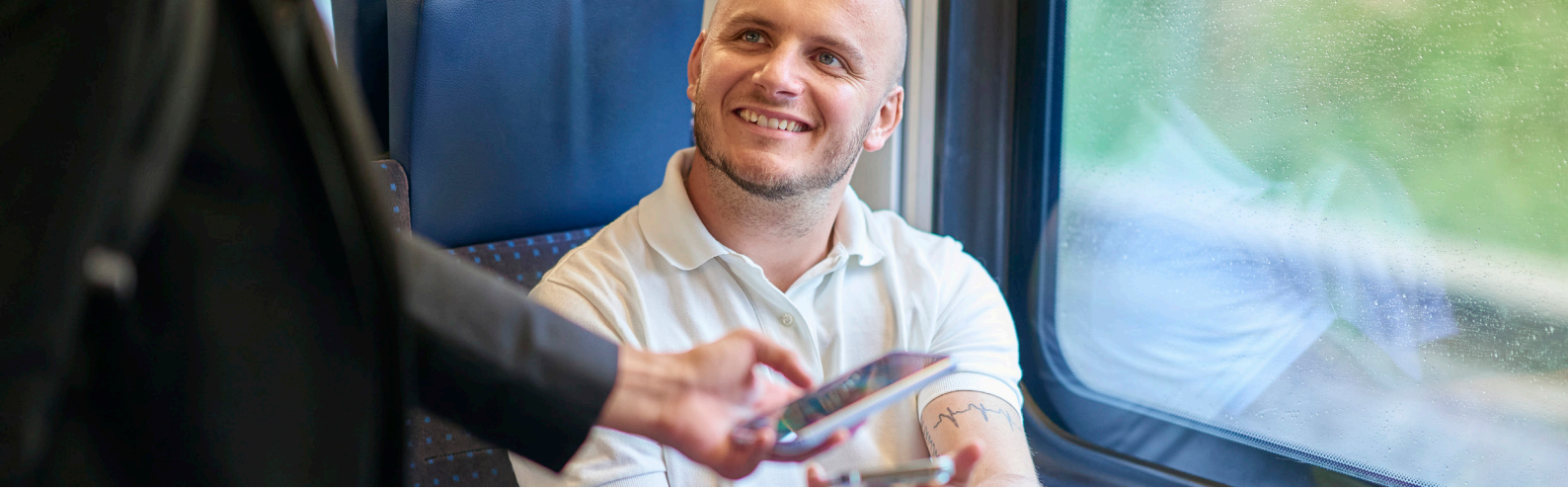
Month-based discount

This model is based on the total spend over a given calendar month. The discount total is reset to zero at the beginning of the following month.



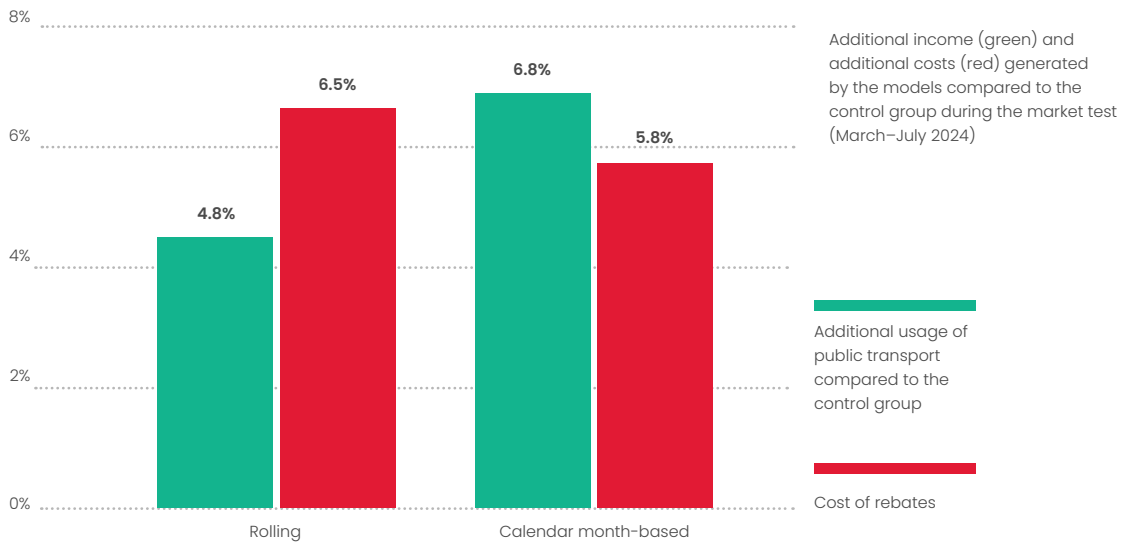
Gamification effect

By offering a sliding scale of discount rates, this model incentivises users to return to public transport month in, month out because the more they travel, the less they pay.



And the winner is: the month-based discount

The results of the market test provided valuable insights into user behaviour and the profitability of the proposed models:



Increased use

The comparison with the control group shows that both discount models lead to a significant uptick in public transport use. The month-based model proved to be particularly effective at both nudging users to make more journeys—leveraging the user-friendly features of the FAIRTIQ app—and improving customer loyalty.

Profitability of the month-based model

The economic evaluation of the models is based on the ratio of discount costs to the additional sales generated. While the rolling model does not cover costs, the month-based model does. Although the latter discount scheme increased costs by 5.8%, this was offset by a 6.8% rise in sales revenue. Discounts clearly pay dividends for A-Welle, too!

Positive customer feedback

The feedback from test users was extremely positive. The discount model was cited spontaneously as an alternative to the multi-journey ticket. Many also appreciated the simplicity and flexibility of the digital solution.

Advantages of digital discount models

The results of the market test show that digital discount models clearly offer transport companies and their passengers a range of benefits, such as:

Increased customer loyalty

Attractive discount rates combined with the FAIRTIQ app's ease of use incentivise recurrent public transport use and boost passenger loyalty.

Optimised fare products thanks to behavioural analysis

Digitalised discount schemes offer transport providers deep and valuable insights into passenger behaviour and enable them to continuously optimise their fare models.

More journeys and more sales revenue

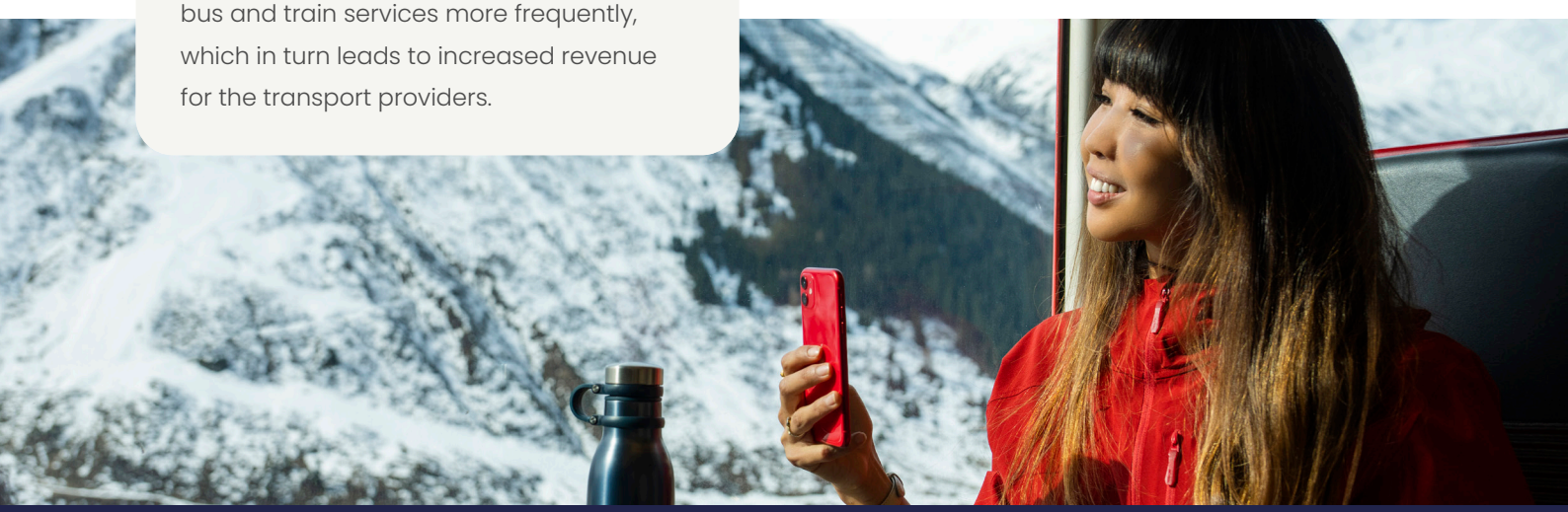
Fare discounts motivate customers to use bus and train services more frequently, which in turn leads to increased revenue for the transport providers.

Enhanced appeal of regional passenger transport services

Fare discounts make public transport a more attractive proposition for occasional and frequent users, facilitate access to these services and improve the passenger experience.

Flexible pricing design

Unlike traditional, zone-based multi-journey tickets, the new discount model is based on the user's total spend which makes it easier for providers to design fare products that are more flexible and tailored to the needs of specific user groups.



Looking ahead:
introduction of the ‚premyo' discount model

Following the positive findings of the market test, the A-Welle fare association decided to stop selling discounted multi-journey paper tickets and replace them with ‚premyo', a digital discount available through the FAIRTIQ app. The new discounted fare product is now available to all A-Welle customers. As well as rewarding occasional and frequent users, A-Welle hopes the new model will bring new customers on board, too.

'Premyo' – a brief description

From 1 December 2024, passengers on A-Welle services who use the FAIRTIQ app will enjoy a discount of up to 25% on their fares. The discount rate varies depending on how often they travel on public transport over a given calendar month. The more bus and train journeys they make, the higher the discount they receive. This new solution offers passengers greater flexibility without the long-term financial commitment that a season ticket entails, making it an interesting option for users for whom a season ticket represents poor value for money.

A further aim of the new discount model

In addition to bolstering customer loyalty and making public transport a more appealing option for frequent users who do not have a season ticket and occasional customers, A-Welle sees 'premyo' as a means of driving the shift away from conventional paper tickets towards simple, user-friendly and resource-saving digital ticketing solutions. This new digital fare product also cuts the costs associated with the procurement and maintenance of expensive infrastructure like ticket validators, ticket machines and on-board bus ticket sales.

"The collaboration with A-Welle demonstrates how FAIRTIQ supports regional fare systems in developing innovative, customer-friendly solutions that increase ridership and revenue. Together, we are making public transport sustainable."

Luise Rohland, Chief Product and Marketing Officer, FAIRTIQ

Why FAIRTIQ?

For the A-Welle fare association, the advantages of working with FAIRTIQ are clear and compelling:

Valuable data analysis for future models

Cooperation opens up the possibility of analysing the data collected during the project and using these insights at a later date to develop new fare models.

Proof of the financial viability of discount models

The market test has shown that discount models can be profitable and that it is therefore financially worthwhile to invest in this type of testing.

Revenue optimisation

Innovative discount solutions can increase revenue and improve profitability.

Experience with experimental fare models

FAIRTIQ has extensive experience when it comes to developing and trialling new fare models. It has the expertise needed to conduct small-scale pricing experiments and analyse their results with a high degree of precision thanks to randomised distribution across test and control groups.

Direct communication with users

FAIRTIQ serves as a channel of communication between A-Welle and its customers. As a result, the operator is able to respond quickly to feedback and use automatic push notifications to nudge its customers directly on their mobile to increase their public transport use.

Test design flexibility

FAIRTIQ can react quickly to changes if necessary and adapt the test design to its partner's needs.

FAIRTIQ

Discover what FAIRTIQ can do for you

Are you interested in testing a similar model in your region?

Contact our experts today to find out how FAIRTIQ can help you make your public transport services even more innovative, customer-friendly and profitable.

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