

ASSOCIAZIONE CULTURALE VIAGGI E LIBERTÀ

Preliminary evaluation of the new Inter-Rail pass offer

A brief issue realized by cultural association "Viaggi e Libertà" and www.inter-rail.it website



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INTRODUCTION

This brief analysis concerns the new offer for the Inter-Rail pass which will be sold from April 2007. This document is based on data collected for several years by the Cultural Association "Viaggi e Libertà" (Travels and Freedom) and on personal opinions expressed by users on www.inter-rail.it, the Italian website dedicated to the Inter-Rail pass and experience.

We are aware that a complete and deeper analysis of the new offer will be possible only at the end of this year, when the new kinds of tickets issued from next April will have been tested by travelers and some statistics will be available.

Since the previous version of the Inter-Rail pass has lost many customers in the last three years it is obvious that a new offer with more options was necessary. It is clear that the new offer aims at satisfying the widest range of travelers, offering different kinds of passes, from the global one to the One Country pass, as the old zones have been canceled. Clearly, the most important change in the new offer is the introduction of the "Flexi" passes, i.e. a brand new feature that can be envisaged as the old Eurodomino offer imported under the Inter-Rail name.

The structuring of the new Inter-Rail offer seems to consider that Inter-Rail users have changed during the last years: there are new competitors in the low-cost travel sector (such as low-cost airlines and cheap bus companies), and, on the other hand, new behaviors have emerged in organizing low cost travels. The development of the web and IT in general over the last few years is probably the main reason for this new traveler profile.

Our analysis will consider two basic aspects of the new offer: price and target.

PRICE

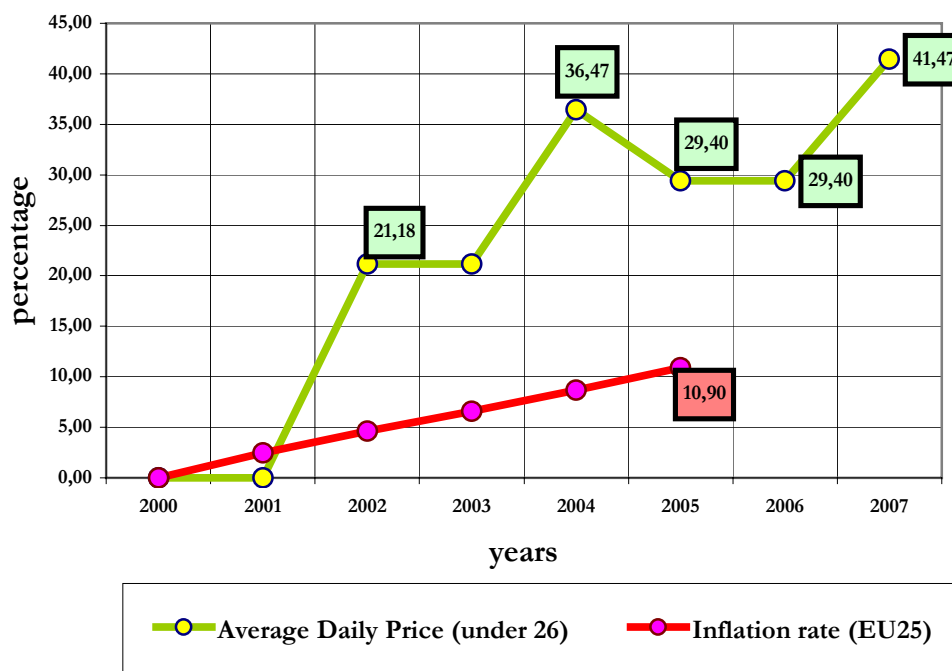
It is very difficult to compare the prices of the new offer with the old ones. As a matter of fact, the change in the pass structure and the introduction of the "Flexi" passes are totally new aspects.

We believe that the great rise of the prices of the Inter-Rail passes in the past years is one of the main reasons for the recent, significant loss of customers.

If we compare the variations of average daily prices and inflation rates on a percentage scale (on the basis of EU 25, as it is the closest number to the sum of all countries included

in the Inter-Rail) we get the following chart, with all data compared with values in the year 2000¹:

Average daily prices of Inter-Rail (under 26) and Inflation rate (EU 25) related to year 2000 (percentage variations)



The chart shows two elements:

- in the past years, the price of the Inter-Rail pass rose a lot more than the average cost of life;
- in 2005 prices dropped slightly, probably due to the campaign against high prices promoted by our association together with some European websites of Inter-Rail travelers.

The most important evidence given by this chart is that during the last few years the Inter-Rail price increase did not match the actual purchasing power of its customers.

As most Inter-Rail users are young people (around 80% according to statistics), i.e. often students or young workers who give great importance to price, we can say that price must be considered one of the key issues in the development of the offer.

¹ The average daily price is calculated on the average of the daily prices of the different kind of tickets (one zone, two zones, global) of the old Inter-Rail offer ("under 26" prices) for each year. Then all these "average year prices" are compared (in percentage) with year 2000. For the new offer (2007) we have considered an average between the global continuous offer (22 and 30days), as a comparison with the new flexi pass was senseless. Inflation data for years 2006 and 2007 aren't available, but they should follow the same trend of recent years, around 2% (inflation data are based on Eurostat sources).

As the new offer is structured in a different way, with the introduction of “Flexi” rates, it is more difficult to make a sharp comparison between the previous offer and the new one.

In order to draw a relevant comparison between the old and the new prices, we need to compare the old and new passes with similar features. In the two following charts we have highlighted in the same color the data from the old and new offers that can be easily compared, considering these important factors:

- the old 16 days’ pass covered just one zone and is now compared with a global Flexi pass of ten days over 22 (green color);
- the old 22 days’ pass was valid only for two zones, whereas it is now compared with a global pass (red color);
- the 30 days’ pass of the new offer has remained the same product (its daily prices are highlighted in yellow color).

Obviously, it is impossible to draw a comparison for the first class rates, as they have been introduced this year for the first time.

For average daily prices we have (all prices are expressed in Euros):

Average Daily price (for days of validity)				Average Daily price (for days of actual use)		
Days	under 26	over 26	over26 first	under 26	over 26	over 26 first
5 on 10	15.90	24.90	32.90	31.80	49.80	65.80
10 on 22	10.86	16.32	22.23	23.90	35.90	48.90
22	See columns on the right			14.05	21.32	28.59
30				13.30	19.97	26.97

Whereas the average daily prices of the old offer were:

Old offer, Daily Average prices (1 zone 16 days, 2 zones 22 days, global 30 days)				
under 26	over 26	days	under 26	over 26
12.19	17.88	16	195	286
12.50	18.00	22	275	396
12.83	18.20	30	385	546

The variations in percentage between old and new offer result as follows (same key colors as above):

Variation of Average Daily prices between old and new offer (percentage)		
Flexi passes		
days	under 26	over 26
10 on 22 (days of validity)	-10.86%	-8.71%
10 on 22 (days of actual use)	96.10%	100.84%
Continuous passes		
22	12.36%	18.43%
30	3.64%	9.71%

On “Flexi” passes we drew a distinction between the average daily prices calculated on the whole validity of the pass (22 days) and the number of days which can be effectively used to travel.

The first figure represents the average daily cost for customers, i.e. how much the pass price will weigh on each day of their trip, whereas the second figure shows the average ticket cost, that is the price gained by the Railway Companies for each day of actual use of their trains. Apparently, Flexi passes are cheaper for the user; however they can't be used every day, thus forcing travelers to plan accurately the whole trip in every single detail. The second figure shows that the Railway Companies can obtain more revenues from the new Flexi passes than from the old ones, with an average gain of 100%.

The continuous passes are easier to compare, as they are more or less the same product of the old offer.

The 22 days pass is now global and not anymore restricted to two zones; the price increase by 12-18 percent is probably a result of this. The 30 days' pass rose by 4 and 10 percent. However, as it we can't understand the reason for such a price increase.

On the other hand, it's very difficult at present time to evaluate correctly the new One Country pass offer, due to two main reasons:

- they are Flexi tickets, whereas in the old offer all passes were continuous;
- they are dedicated to single countries, whereas the old Inter-Rail zones included two or more countries.

On first sight, a combination of “One Country” passes results much more expensive than the old one or two zone pass. Let's give an example:

- zone C old-offer pass (under 26, 16 days) € 195,00
- Germany, Switzerland, Denmark, Austria One Country passes (four days each = 16 days) = 139,00+90,00+90,00+58,00 = € 377,00

Thus, in this case, prices appear to have doubled, whereas the service has remained the same. It is also clear that a global 22 days' offer would be cheaper (€ 309,00 instead of € 377,00).

We believe there is a gap between the global continuous passes and the One Country Passes: people who have holidays only for two weeks are forced to buy a global 22 days pass if they want to travel through many countries, as the One Country Offer would be too expensive, thus wasting five days of value.

TARGET

As sales of the Inter-Rail pass have dropped during the last years, it's obvious that it hasn't met the customers' needs any longer.

Based on our experience, which comes from managing one of the greatest forums about Inter-Rail and independent traveling for years, we think that several different kinds of Inter-Rail customers can be identified.

There are people who travel just to visit some important cities. A typical example of this kind of traveling would be: Paris, Brussels, Bruges, Amsterdam, Copenhagen, Berlin, Munich, Zurich. This kind of travelers usually plan carefully their trips and use trains just in a point-to-point way. The Flexi passes may be a good option for these travelers, as they can plan how many days they will spend traveling by train.

However, there is another major group of Inter-Rail users whose traveling behavior is completely different. We're talking about those who don't plan anything at all and decide where to go day by day.

We think this is the original spirit of Inter-Railing.

In fact, the Inter-Rail is the last chance to travel this way. All the other means of transport require booking in advance (like low cost airlines) and force people to plan carefully the whole vacation. Nowadays, in a world where all life aspects become more and more "scheduled", the Inter-Rail is the last chance to discover Europe in complete freedom: it's possible to buy a pass and jump on a train the same day. This means no planning, no reservation, pure adventure.

In all travel diaries, books and articles about the Inter-Rail experience, travelers always stress this point. We think that this aspect is very important and the Inter-Rail management should do everything to preserve it.

Another issue to be considered regarding the Inter-Rail target is age.

Today's prices differ between under and over 26 years old. We think that most users under 26 are students. This means:

- price is a key point to them, as students usually don't have much money to spend;
- they can travel for longer periods than workers.

Regarding over-26 years old travelers, it's probably more complicated to give a clear picture of the "average user": the over-26 group includes people around their thirties as well as people in their sixties, and it's obvious that their traveling needs and behaviors are deeply different.

The younger ones will care for the same features as those under 26, such as cheap prices, intensive use of trains etc. They still look for the opportunity of traveling without planning and often have two or more weeks to spend on holiday. The older ones will look for different features, such as planning and comfort and will prefer to travel for shorter periods in a less stressful way.

Therefore, based on our experience, it would be a big mistake to dedicate the global continuous tickets to younger users only and think that the One Country Pass offer could fully meet the demand from over-26 customers.

Obviously the One Country Pass is a sort of clone of the old Eurodomino under the Inter-Rail name and has nothing to do with the original Inter-Rail spirit, in the sense of free traveling around Europe. We think that these new passes can be very good for those who wish to plan their trips or spend a weekend abroad; however, they should be considered as an integration, a further option, and not as an offer which can meet the needs of all customers over 26 years old.

THE FUTURE OF THE INTER-RAIL: SOME PROPOSALS

Since we still don't know how this new offer will work, it's very difficult to make forecasts.

Obviously, we do want the Inter-Rail to survive and allow thousands of Europeans to travel throughout their continent.

We have to acknowledge that in the last years new competitors have appeared in the scene of low cost travel. The most impressive case is probably that of low cost airlines. However, the service they provide is a very different one because:

- airports are always very far from cities;
- it's necessary to book in advance to obtain a cheap fare;
- they don't allow any changes in the planned trips.

We think that the Inter-Rail can still offer a very different traveling experience. Compared to low cost airlines, our beloved pass allows to reach towns immediately at their very core, doesn't require any kind of booking, remains the freest way of traveling and discovering Europe.

Another issue to be considered in promoting the Inter-Rail pass in the next years is the cultural one. Nowadays, the Inter-Rail is the only travel product offering the opportunity

to live day by day the European integration and to meet new people and cultures. From this point of view, the train is one of the most social means of transport: it allows to reach gradually a destination, to meet inhabitants of the country we're visiting, or just other travelers like us. Other low cost means of transport, like low cost airlines, cannot offer any kind of experience like this, as they just sell point-to-point connections. It would be very important to find some help from the EU institutions which spend millions of Euros every year for integration policies. In particular we think that the cultural issues of the Inter-Rail should be underlined in all advertising campaigns and could be a strong point in developing an European-oriented image of the Railway Companies.

Our association is proud to have developed a good knowledge about this point. In 2006, with the "Glocal Forum" organization, we have planned and managed a project named "European Rails of Peace" (please see the website europe.inter-rail.it): 50 boys and girls coming from Bosnia-Herzegovina, Kosovo and Serbia have had the opportunity to travel throughout Europe with Inter-Rail passes, proving that this kind of experience can play a unique role in promoting sustainable tourism as a vehicle of dialogue and a resource of prosperity for local communities and understanding between populations, which in this case had been involved in war.

However, price is going to play the most important role for the future of Inter-Rail. In the past seven years, the average daily price of the pass has risen by about 40%, approximately 6% each year, while the average inflation (on a EU 25 base) has gone up by a yearly 2%.

We think that Inter-Rail prices should drop by about 15-20%, as this would be the only way to win back a large number of users. Another reason which is making users shift towards other low cost means of transport is the fact that supplements (for IC and fast trains) aren't covered by the pass.

We're aware that many Railway Companies see the pass as a loss of money and think that if all Inter-Rail users paid regular tickets, they would gain more money. In our opinion, this is not the right perspective to examine this issue. As a matter of fact trains are not like planes: flying carriers know that they can cover all their costs only if they fill their crafts. Things work differently with trains: very seldom do trains travel with all places booked. So it's clear that a handful of passengers traveling with a discount pass like the Inter-Rail wouldn't cause a loss.

On the other hand, we believe that for Railway Companies the Inter-Rail could play an important role as a promotional instrument. From our experience on the www.inter-rail.it website we have realized that Inter-Rail users usually prefer traveling by train rather than by other means of transport: since fast trains are becoming very competitive with respect to airline connections, we think that Railway Companies should attach more importance to this issue. In one word, the Railway Companies should see the Inter-Rail offer not as a loss but as an investment aimed at promoting their role in the European integration, developing an alternative to other low cost competitors and retaining train users.

Lastly, a low-price policy connected with a campaign promoting the Inter-Rail as a unique, adventurous and cheap way to experience the European differences would be an excellent way to attract back a lot of users, and a good chance for Railway Companies to promote themselves as providing a real contribution to the European integration.

At the moment, we think that the most urgent change to the new offer should be the introduction of a two-week pass which is valid globally or for a group of at least three countries of the One Country pass. We believe that such a product could fill the existing gap between global passes and One Country passes.

Our Association would be very glad to cooperate with its expertise and know-how by offering our users' views on the Inter-Rail offer, and by helping the Inter-Rail management to develop and design an offer which could match well its wide range of customers.



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