

Developing a marketing culture in the Severn Valley Railway (a non-profit organisation).

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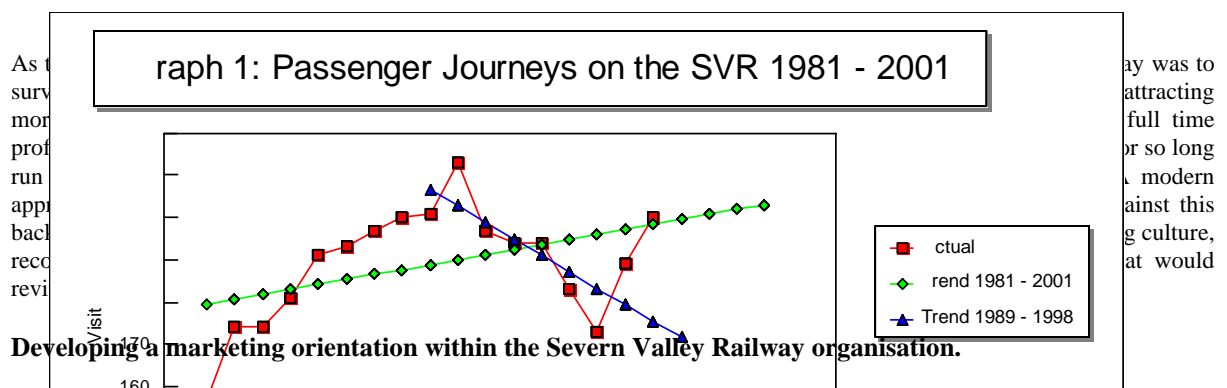
Introduction

The Severn Valley Railway (SVR) line was built in the early 1860's, connecting Hartlebury on the Worcester / Birmingham main line, with Shrewsbury, and was originally part of the Great Western Railway. The SVR operated in a region that was at the heart of the nineteenth century industrial revolution, and it played an important part in the overall development of the area. It operated successfully for a hundred years until its eventual closure under the Beeching rationalisation of 1962. In 1965, the SVR organisation was formed by enthusiasts, the fundamental aim of which was to keep parts of the line operational so that a piece of the nation's industrial heritage was not lost forever. The closure of this line represented another tangible threat to an aspect of Britain's industrial heritage that once lost, could never be replaced, and the founding members were determined to save it to perpetuate the memory of the age of steam powered locomotives. Five years later, in 1970, the first section of the line was re-opened from Bridgnorth to Hampton Loade (5miles), and this was continued to Bewdley (12miles) in 1974 and to Kiddminster (16 miles) in 1984. ¹ The organisation has grown from a group of enthusiasts running five miles of track with just a few locomotives, to a public limited company operating a sixteen mile railway with the largest collection of pre British Rail coaches in the world, a specialist engineering company and a wholesale division. In addition, there are six stations to be maintained including merchandising activities. Fifty full time staff are now employed as are hundreds of part time workers and the company has an annual turnover of £2.5million. The organisation now runs as two companies; SVR (Holdings) PLC are essentially the owners and employers, whilst the Guarantee Company is the volunteer organisation within the SVR, with a world wide membership of over 15,000. Any profits made are reinvested into the railway. Most of the rolling stock used by the company is privately owned by small groups or individuals, and loaned (free) to the railway. The track itself runs through two counties, each with their own distinct expectations of the SVR's responsibilities. Fields, gardens and small towns are adjacent to it. Steam trains belch out smoke and cinders, and wayside fires are not uncommon in the summer. Access to the track is (too) easy, and vandalism is an issue with potentially lethal obstacles frequently being placed on the track. Volunteers come from around the world, many spending their holidays working on the railway in many different capacities. This has interesting implications. Traditional locomotive engineers are not in ready supply, and considerable effort has been invested to ensure that old skills have been handed down. Similarly, spare parts and tools have to be made in-house. Without these, the rolling stock could not be maintained and kept in working order. Storage space for stock not currently in use is small, and locomotives are not the most manoeuvrable of objects. This gives a new dimension to parking problems. And finally, there is the delicate balance of keeping historical reality against modern health and safety rules, planning regulations and public expectations. As an example, the public wants to experience Victorian trains, but not Victorian toilets. Yet to build modern public conveniences compromises old stations and can lead to difficult planning regulation issues.

It is important not to lose sight of the fact that the organisation has to be economically and financially viable. It is not subsidised, and has all the financial responsibilities and accountabilities of a PLC. The livelihood of many people rest on it being successful, not only those directly working for the SVR but also all of those involved in, and dependent on, the local tourist industry. Therefore, those ticket buying customers of the SVR are in relative terms, every bit as important as users of the national rail network. Without them, the operation could not continue, and this is the issue that is at the heart of this paper. The purpose of this introduction is to contextualise the operation, and to give an insight into its complexity. It is essential to appreciate the origins of the SVR when considering it's present position, and to recognise that modern business practices cannot be forcefully imposed without some adaptation to take account of the idiosyncratic features of the organisation, not least the which are the different aspirations and expectations of the various stakeholder groups, all of whom are very important to the ultimate health and well being of the SVR. Fee paying customers expect to receive value for money and a high quality service, volunteers want to enjoy themselves and to gain satisfaction from their involvement and shareholders don't expect to lose their investment. ²

72% of the SVR users are day trippers, 18% are on a short break vacation and for 10%, the trip is part of their holiday itinerary. There is a complex mix of age groups, spanning from the very young to nonagenarians; visitors come from all over the world and from a wide variety of social and economic backgrounds. Some come as families, some as individuals and others in large parties, including school trips. The majority of visitors come from within a fifty mile radius and most are first time visitors. Over the past sixteen years, the general trend of visits per year is upwards but taking the last eight year period, the trend is downwards, and this is important (Graph 1). On average, over 500 passengers are carried per day, which is a considerable throughput. In reality, trade is seasonal with much of the volume being concentrated into the summer months. ³

There is much competition in the region for the type of visitor that is attracted to an historic artefact such as the SVR. This includes obvious alternative attractions such as the Ironbridge Gorge and the Black Country Living museums, the canal networks of the Midlands and perhaps more surprisingly, the Merry Hill shopping centre which is one of the largest retail centres in Europe now open seven days a week since recent changes in the Sunday trading laws and theoretically 'free', if that is what visitors want. Window shopping is still one of the most popular pastimes in the UK. Other local attractions, to name but a few, include Alton Towers, Cadbury World, West Midlands Safari Park and the Malvern Hills. All of these compete for the time, money and energy of potential users of the SVR. Graph 1 illustrates quite clearly the problems that the SVR experienced from 1990 to 1995, with volumes falling by 19% during the period. Some of the causes can be related to macro economic factors. This was a period of economic uncertainty, characterised by high interest rates (with consequent lower disposable income), substantial unemployment and fluctuating exchange rates. In addition, major economic structural changes started to become apparent, including an increase in short term and part time employment, the impact of the information technology revolution started to transform the ways that many activities took place and the long term effects of the globalisation of world markets started to become a reality. What is also significant is that the market segment that traditionally supported the SVR, middle England, were themselves, perhaps for the first time, affected by these factors. Middle class immunity from the problems of unemployment and the consequent uncertainty that goes with this, disappeared, and disposable income that could be spent on day trips out was no longer available.



Developing a marketing orientation within the Severn Valley Railway organisation.

Owing to its origins, the SVR operation was very much based around the product. It was the line and the locomotives that the original founders wanted to save, and this tradition had to a large extent, been perpetuated. The friends, supporters and volunteers of the SVR are a mixture of enthusiasts of steam trains and to many of these, fee paying customers are a nuisance, albeit a necessary one. It is tempting to dismiss this attitude as 'wrong', yet these are the people who have spent their holidays days to work on the railway, doing a wide variety of jobs that are essential to the provision of a high quality service. The downside of such a volunteer army is that management has less control over them. They have to be coerced into doing things as opposed to instructed, and there are few, if any, sanctions that can be applied if functions are not carried out as operational managers would like. The handling of volunteer staff needs to be sensitive to their desires and expectations, but at the same time the wishes of fare paying customers must not be overlooked. To achieve the right balance in this equation is difficult, but for the SVR to be successful, it has to get this right. This necessitates potential problem recognition, negotiation, arbitration and many other human resource management skills.

In reality, the SVR has less options in cost, price and volume relationships than many other commercial organisations. The significance of these volunteers to overall cost efficiency should not be underestimated. Without them, the organisation in its present form could not function. The fact that they are unpaid and do perform key functions means that the cost base of the operation is kept down. If unpaid workers were replaced with paid ones, then ticket prices would have to increase substantially to cover the additional costs. Despite the fact that the SVR does have unique selling propositions, the demand for its use is elastic, and it is likely that price rises would be matched by a decrease in demand, with volume of travellers consequently falling. This would have other effects including a diminution of merchandising revenues, which makes an important contribution to overall financial viability. The costs of maintaining track and rolling stock are high, especially given the age of the latter. The SVR is subject to stringent health and safety regulations, and the cost implications of these are also high. The full time staff base is relatively small and the paid part time base is flexibly matched to anticipated throughputs. More staff are employed at weekends in the summer, and historic trends and pre-bookings are used to try to anticipate these. Therefore, there is little scope for gaining significant cost efficiencies, although costs are carefully monitored and scrutinised. Similarly, whilst there is scope for innovation in pricing structures (which has happened), there is little room to make substantial increases to ticket prices. Therefore, the only remaining variable is volume, and understanding this is essential to the survival and success of the SVR. Volume has operational overtones on what type of trains run, when and how frequently. With relatively low marginal costs, maximisation of the profitability and liquidity position of the SVR is likely to rest upon seat occupancy over 52 weeks a year, 7 days a week and 12 hours a day. If a scheduled service is running with surplus capacity, then as a perishable commodity, empty seats can never be re-sold, and

therefore potential income is irretrievably lost. That is not to infer that all seats can be sold at marginal or discounted rates, as this could lead to lower revenues in the long term.

The challenge for the new sales and marketing manager was to develop marketing strategies and tactics that would increase passenger volume whilst simultaneously working within the constraints as outlined. A number of critical issues immediately became clear. The emphasis of the organisation had to shift from its traditional product base to one centred on service.⁵ Whilst the steam locomotives are an essential part of the marketing mix for the SVR, most passengers are actually buying the service together with the steam experience, as an integrated package. Most would not be happy if the trains look, sound and smell wonderful, but the timetable is running an hour late, resulting in them having to queue. Similarly, the focus of management had to shift from product to marketing orientation, whereby the needs, requirements and expectations of customers were identified and then put at the forefront of operational decisions. Volunteers had to be carried along with this shift, with the bottom line recognition that failure to do so would almost certainly result in the closure of the SVR. The base implication of this change was that their (the volunteers) needs would have to be subservient to those of customers. That is not to say that the volunteers could not gain satisfaction from their role. Rather that they became the servants rather than the masters of the organisation with the consequent shift in thinking that this implied. Many volunteers, when this situation was explained to them, recognised the importance of this culture change and were prepared to be supportive. Honesty and transparency were the key factors in carrying them along with the change, and not unnecessarily alienating them. They had to feel that they would have an important role to play in the future, that they were still wanted and that they could continue to enjoy themselves.

Little or no marketing research had been conducted, and it was felt that data was needed to evaluate users experience but also to identify overall perceptions of the SVR. Structures were put into place to gather and analyse data, the results of which are now fed into the policy and decision making process. The culture of marketing research is now embedded and this plays a crucial part in ensuring that customer needs are identified and met. In many respects, a continuous commitment to such a process is the manifestation of a true market orientation, with customers needs at the centre.

Promotion of the SVR became another fundamental issue. This had taken place prior to 1995, but in hindsight this was not a well structured or evaluated activity. Below the line communications were (and perhaps still are) the most important aspect of promotion, with personal recommendations based on a good experience singularly being the most important factor determining visiting the attraction. A data base has been developed that enables direct mailshots to be made, announcing special events or promotions. Many visitors were only coming to the railway once, and efforts are now being made to follow up existing users and to encourage repeat custom, emphasising changes that may have occurred since their previous visit. Successful TV programmes are being recorded using the railway as a set, notably the BBC's current 'Oh Dr Beeching', which attracts millions of viewers. Well known tourist trails have developed around film locations, and it is essential that opportunities are fully exploited to maximise the benefits. Other public relations activities are also important. Large circulation magazines often want photographs of artefacts such as locomotives, and this provides the chance to get the SVR name in the readership's eye via acknowledgements. It is important not to miss opportunities for mass (media) coverage including radio and the press. These are free and can have a big impact. However, it does take much time and effort to sustain PR activity. Contacts have to be made, followed up and sustained. Other important issues include the design and structure of brochures, and the effective distribution of these. Corporate image and identity needs to be developed through consistent style and use of logos. Close links with tourist information centres, hotels and local food outlets are important in ensuring that the material is picked up and read. Good relationships with coach companies is very important. Signage to stations is important, especially off the motorway networks where direction pointers double up as advertisements, and timetables are available and visible in public places.⁶ Posters are useful as souvenirs but also to display in shops and on other targeted notice boards. It has also been recognised by competing attractions that they can benefit from the presence of each other, and many co-operate with one other in the promotion of the region as a whole and competitors products.

Product development has also taken place. Many special (themed) events have been introduced including Thomas the Tank Engine trips in the summer (which steam aficionados hate!), Santa Claus rides at Christmas, 1940's weekends, heavy horse and classic car displays, steam galas and other activities scheduled to prominent calendar dates. These themed activities have been targeted at specific market segments, and promotional activity reflects this. Most have been successful and such events can be used to combat problems of seasonality and troughs in activity. Such events are often photogenic and attract media attention which generates casual visitors who may not use the railway, but they get involved in other ways and help to create a busy atmosphere. Facilities in and around stations have been improved including car parking, toilets, ticket offices and shops. New markets have also been developed. The corporate market has been identified as one potential new area that needs to be developed. Corporate hospitality on board an old steam train, meal included, has been popular, and the margins on such events are high. At the other extreme, many school parties visit the SVR and much has been done to encourage these, making explicit links to the requirements of the national curriculum. Tickets are heavily discounted to such groups, but they attend when volumes are otherwise low. Furthermore, schoolchildren spend money in the shops on ice creams, sweets and souvenirs and they are important and valuable customers. Again, the aforementioned groups demonstrate the diversity of user, with very different needs. This further adds to the operational complexity of the organisation.

Process developments have taken place since 1995. One very simple example is the introduction of pre-payment and pre-booking using the telephone and credit card. The introduction of this has many business virtues. A clear idea of volume for a given day is known in advance, enabling operational adjustments to be made if necessary, cash flow is enhanced, customers are locked-in and committed to the visit and psychologically, pre-payments are forgotten on arrival, and the cost is

discounted. This leads to higher expenditure in other areas including food, drink and merchandise. This in turn leads to a feel good factor (as opposed to an economy day out) and happy and contented visitors. Links have been established with local tourist agencies from whom complete packages can be arranged incorporating all aspects of a visit to the area. Future issues relating to process developments include capitalising on the rapidly developing information superhighways, which could permeate many aspects of marketing activity.

In any service industry, people are perhaps the most important ingredient. It is they who will deal with the customers, and to a very large extent determine whether they have an enjoyable experience or not. Given the diverse backgrounds of the workforce, it has been seen as essential that staff training and development take place, especially in the area of customer care. Gradually, staff are being trained in the Welcome Host programme and an internal cascading process takes place. This strategy is a central plank in the development of a new culture that puts the customer at the centre, who is the reason for being of the organisation.

Conclusion

In summary, many changes have taken place in the operation of the SVR since the introduction of a professional marketing structure in 1995. This years throughput is estimated to be in excess of 200,000 passengers; it is too soon to talk about cause and effect, but it seems likely that improved marketing has been a significant contributory factor. The development of a strong brand identity with clearly defined attributes and values, upholding the traditions of the past, but put into context of the needs of the present, has given the SVR a clear market position. It is argued that a previously efficient organisation has now been made more effective by the introduction of planned marketing strategies and tactics, and that the operational model that now drives the SVR is one that other (commercially based) historic attractions would do well to emulate if they are to survive the ever increasing competition for the leisure pound.

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