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GLOBAL TRAVEL TREND IN RAIL TOURISM DEVELOPMENT

This study focuses on current global trends in rail tourism. Increased communications and more efficient means of travel have changed the landscape of tourism over the world. Faster and safer planes have made the world seem smaller than ever before. Yet, even in this day of advanced air travel, rail tourism is making a comeback as a preferred method of travel for people in all countries. Rail tourism offers calmer, more scenic vacations and trips and replaces high speed with high comfort.

Keywords: travel economics, rail tourism, tourism demand, airline industry, tourism transportation.

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ВПЛИВ СВІТОВИХ ТУРИСТИЧНИХ ТРЕНДІВ НА РОЗВИТОК ЗАЛІЗНИЧНОГО ТУРИЗМУ

У статті розглянуто ключові тренди у сфері залізничного туризму. Підвищення зручності комунікацій і більш ефективні транспортні засоби радикально змінили галузь туризму по всьому світу. Більш швидке і безпечне пересування літаками скоротило час туристичних поїздок. Але навіть при переважанні авіаційного туризму залізничний туризм займає свою нішу як найзручніший для людей у всіх країнах. Його переваги – більш спокійний спосіб переміщення, можливість насолоджуватися краєвидами, підвищений комфорт.

Ключові слова: економіка туризму, залізничний туризм, туристичний попит, авіаційна галузь, туристичний транспорт.

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ВЛИЯНИЕ МИРОВЫХ ТУРИСТИЧЕСКИХ ТРЕНДОВ НА РАЗВИТИЕ ЖЕЛЕЗНОДОРОЖНОГО ТУРИЗМА

В статье рассмотрены ключевые тренды в сфере железнодорожного туризма. Повышение удобства коммуникаций и более эффективные транспортные средства радикально изменили отрасль туризма по всему миру. Более быстрое и безопасное передвижение самолетами сократило время туристических поездок. Но даже при преобладании авиационного туризма железнодорожный туризм занимает свою нишу как самый удобный для людей во всех странах. Его преимущества – более спокойный способ перемещения, возможность наслаждаться пейзажами, повышенный комфорт.

Ключевые слова: экономика туризма, железнодорожный туризм, туристический спрос, авиационная отрасль, туристический транспорт.

1. Introduction.

As human civilization continues to progress, it seems that the rail travel industry is poised for tremendous growth. Increased security and rising costs, among many other factors, have made air travel, which is certainly the safest and most efficient means of traveling around an increasingly globalized world and therefore, less appealing than ever before. This study will analyze the current state of rail travel as opposed to airline travel and potential growth for this industry going forward.

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2. Literature Review.

The airline industry is also facing a very restrictive cost restructure, which gives the rail industry enormous opportunity. This is due to several reasons, the most significant being overly optimistic anticipations of company expansion based on the projected recovery from the dilemma faced in the aftermath of the 9/11 terrorist attacks. In 2007, the board of directors for The Rail Industry mandated a 15% all-encompassing cost reduction plan to be executed over the following 18 months. Also put forth by the mandate was the need to make improvements to Classic Airline's frequent flyer program, which at the time failed to demonstrate a significant return on the investment. The rail industry is currently the only carrier not aligned in an agreement with another airline service. This was due to the assumption that no other company could meet the needs of prospective customers better than the rail industry. This alienated the company from other members in the industry, who felt the rail industry was not committed to helping each other through the turbulent wake caused by the 9/11 attacks and the subsequent economic downturn felt worldwide. Tangentially, the rail industry implemented a pricing strategy that was directly in competition with smaller, upstart airlines, which did not have the same cost structure as the rail industry, which proved a decided and significant advantage for competition.

While these problems are certainly large and mounting, creating an ever-increasing difficulty for the airline industry to maximize profits and minimize limits for potential, the silver lining is the fact that despite these issues, the company is still very profitable, suggesting make profits once these issues are ironed out. The key to such a turnaround is the ability of airlines to predict with accuracy the changing marketplace for travel and consumer trends. This will allow the rail industry and other companies increase its use of marketing campaigns, adjust its budget accordingly and will most importantly reallocate the company's vast resources to take advantage of these prevailing trends as well as conducting marketing research to drum up business during off-peak travel seasons. In order for the company to employ these techniques, it will first need to collect data and allow analysis to see whether the problems can be solved. Once the data are collected, the operating philosophy of the rail industry can merge with the anticipation of the future or airline travel, allowing the airline industry continue to grow and improve, surpassing the expectations of its customers, in turn generating record profits and economic sustainability.

The airline industry faces a number of critical issues under its current regime. The most glaring is a poorly-executed and ineffectively-implemented CRM tool. It is true that the existing CRM system is strong and potentially a great asset. However, the implementation of the system leaves much to be desired. Currently, the system fails to enable total integration of telephone and web portals with the CRM tool, hindering the comprehensive customer service provided to customers. This has also affected the data collection since it essentially excludes the web portal as a member of client population. The company desperately needs a technical support team ready and able to merge these different portals across the same network to meet the demands of the ever-increasing technical aspect of today's modern world.

The second biggest problem is classic airline's choice not to participate in alignments with other airline networks. This drastically limits flight options to customers. It also therefore limits the ability to earn and redeem frequent flyer

miles. This lack of alliance provides also a very off-putting and alienating experience for customers. Since consumers have to search for flights across multiple search platforms, they are unable to take advantage of the single point of access. This demonstrates the lack of emphasis placed on customer service that needs to change in the company going forward. The current airline traveler is overwhelmed with a number of choices in air travel. The rail industry must stop alienating customers and remaining unattractive to new customers. This starts with necessary alliances with airline services and a greatly-improved website and shopping experience.

Like airlines, the rail industry has been hit hard by the economy, particularly the rising costs of fuel and labor. This has greatly limited the ability to compete in the frequent customer programs, as it can not compete on price and ever-shrinking margins of profit. However, the rail industry must build a loyal customer base and a key to doing this is implementing a totally redesigned frequent client program which will not only attract new customers but persuade current customers to choose it over many competitors.

These problems seem numerous and perhaps difficult to surmount, but with every problem comes the opportunity to improve and create something better than ever before. The old way of doing things has run its course and in so doing has created an unhealthy way of doing business. This cycle must be broken. First and foremost is the implementation of a customer-oriented business model which will in turn increase profitability.

3. Methodology.

The solutions proposed above should reduce the potential ethical breaches under the old business model. The proposed solutions will provide customers the level of service, variety of choice and level of participation market research has clearly showed they desire. This solution also enables the rail industry to solidify its place at the market, allowing it to position itself as the premier service. With implementation of the new totally-comprehensive CRM tool, employees and management would receive continuous feedback on the company's performance, allowing management to receive critical data it was previously lacking, allowing the company to make changes as they become necessary in economic and social landscape. Driving this trend would be the flexibility of change among the services offered and reliability of high levels of customer service. Improving client relations is the key to the turnaround and will allow enlarging market share.

In order to achieve the status of the world's leading transportation provider, the rail industry must overcome several obstacles and meet specific short and long-term goals. Some of the goals are to:

- Increase loyalty program participants by 10% within 6 months.
- Maintain existing CBA provisions with labor unions.
- Improve employee morale by 50% within 12 months.
- Increase frequency of travel per loyalty program participants by 25% within 12 months.
- Improve customer satisfaction by 35% within 6 months.
- Improve perceived customer value by 45% within 12 months.
- Reduce operational costs by 15% within 12 months.

4. Results.

The example of the Brett Chevrolet-Cadillac and TriStar Fine Cars (Mercedes) car dealership can serve as a model here. Lorne Brett's auto dealership was experiencing an evaporating customer base and income decline. In his effort to reverse the trend, Brett set out to take advantage of the wealth of data in the dealership's computer system, already in place but not being utilized fully. What resulted became known as DealerMine, a CRM system credited with increasing revenue and improving customer experience. With DealerMine, Brett was able to run daily reports on customer "touch points" and execute performance evaluations of employees. These reports, because they were based on the data that was accurate up to the second, enabled the dealership to immediately identify issues and trends within it and the marketplace. The dealership was therefore able to immediately identify any solutions or strategies for capitalizing on prospective trends. Since sales and service personnel were also reflected in the CRM's data, the reports were prepared on their performance and records, allowing Brett to see which staff members were most valuable and which needed improvement.

The rail industry can learn a great deal from this example. Like car dealership, the data on customer experience and feedback are already extensive and reporting capabilities are already possible. The case is such that this data is not being implemented, at least not in a way that allows the use in a timely and effective manner. Current reports are performance-based, according to the number, for example how many minutes spent on each customer service call vs. number of repeat calls per issue. With an improved implementation of the already-existing CRM tool, the rail industry will be able to run periodic (daily, weekly) reports on not just performance of employees but also customer satisfaction and customer recommendations for each "touch point". The purpose of such reports is to inform management in a timely manner of any problems or issues the company is facing on a number of different fronts.

Another model from which the rail industry can learn its lesson and extrapolate it across its own business model is the Vanguard Group. The Vanguard Group has been the cost leader of the mutual fund industry for over 20 years with the expense ratio of 0.26%. The industry average is 1.4%. It is common knowledge that the key to this fortune is customer loyalty. In the financial services sector, a meager 5% increase in ability to retain customer results in a 25% increase in profits. This has been through many strategies, most notably the decision to be very selective about its clients. A \$40 mln dollar investment was rejected recently because Vanguard felt the investor was in for a quick-flip which would increase costs for other investors.

The solutions proposed above should reduce potential ethical breaches under old business models. The proposed solutions will provide customers the level of service, variety of choice and level of participation market research has clearly showed they desire. This solution also enables to solidify the place at the market, allowing positioning as the premier service. With implementation of the new totally-comprehensive CRM tool, employees and management would receive continuous feedback on the company's performance, allowing management receive critical data it was previously lacking, allowing the company make changes as they become necessary in the economic and social landscape. Driving this trend would be the flexibility of change amongst services offered and reliability of high levels of customer service. Improving

client relations is the key to the turnaround and will allow the industry to actively pursue market share capture.

Using the increased data and implementation thereof of the CRM tool, the rail can identify customers who might be most likely to remain loyal to the company, put into place methods to attract those customers, as well as track the results brought about by each of its marketing campaigns. From there, the industry can acknowledge which campaigns are most effective specific to the areas they look to increase and implement appropriate measures. The industry can also use the selection process to underscore the care it takes to ensure that existing customer needs are prioritized and protecting their interests is the most important concern. This would also play into the exclusivity factor employed by many companies, yet still remaining a company that is accessible to everyone.

Another step is the reallocation of marketing funds to the most successful advertising and marketing campaigns, determined by performance audits, the CRM tool data and then using such information to offer high value services to customers. The risks of such reallocation include cost and data validity. However, these risks can be mitigated by careful leverage of data in the existing CRM network, similar to the above case of the Brett auto dealership.

Furthermore, as stressed above, the emphasis for alliance with other carriers can not be understated, both for the optimization of customer choice and minimization of risk. Small risk inherent to joining these alliances is that by being exposed to other networks, customers may become attracted to a competition or its services and choose it for future travel. The industry can use the example set by Vanguard to select, through careful manipulation of the data collected by the CRM, customers who are most likely to stay loyal to the industry. The industry will then present opportunities that suggest a culture of exclusivity to these customers, though it will still be very accessible to general public.

As this case study makes clear, the industry is at the precipice of change. If it goes forward as is, it will continue to drive away business by alienating customers and floundering in the pitfalls of the economic downturn of this generation. However, despite major setbacks, it has managed to remain profitable and healthy. This suggests that with some tweaking of company business models, specifically focusing on customer satisfaction and business relations, the sector can greatly improve its status and become the world's leader in customer-oriented travel. Such change will require innovative and drastic change and will not be easy. Through dedication and commitment to the advised plan, most airlines can turnaround their products and reputations within the 5-year period. The results from this period of aggressive marketing and campaigning will build a foundation upon which the company will grow and prosper to heights never before seen. With consolidated and improved products and services, as well as the programs that emphasize responsiveness, environmental scanning, client feedback, and forecasting, the rail industry, will set itself apart from its competitors and take a position poised to recapture dominance and enjoy new growth.

5. Conclusion.

It will be interesting to see what becomes of rail tourism when the economy recovers and consumers are more apt to spend more to get more than the basic service offered by the railroad industry. Surely, in the post-9/11 world, when airline trav-

el is such a nightmare, rail travel's simple service and the reliability of its schedules as a result, will comfort travelers and keep the industry growing. With the US increasing rail travel, having made plans to service Canada and Mexico, one wonders how long it will be before Southwest looks to expand further and apply their business model to the global market. 40 years later, the business model has proven to be successful enough to withstand industry downturn, so it is extremely likely that as they continue to grow and possibly expand intercontinentally, the rail industry will enjoy the same success as they have since they began offering flights.

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