

1. PREFACE

Railway organizations worldwide have traditionally evolved as vertically integrated transport operating enterprises under public ownership and control. To the extent that they have been sheltered from competition by government regulatory controls, they have been able to grow to dominant positions in the domestic transportation activity of many countries, both within and outside of the Asia-Pacific region.

However, over the post-Second World War era, and especially over the past two decades, rail dominance of domestic transport has been challenged by the dynamic growth of road networks and of commercial motor vehicle fleets. This growth has been assisted by the often rapid dismantling of government regulatory controls, as well as by the commitment of a major and increasing share of public infrastructure development funds to the development of highway networks, without a commensurate increase in direct road user charges to offset these public outlays.

Now, more than ever before in their long history, railways are facing two major threats to their long term survival: the progressive withdrawal of the government funding which has been necessary in the past to sustain railway infrastructure and services, and the relentless increase in competition from other transport modes, especially from road transport which has been assisted by the abovementioned factors.

The first of these threats, the withdrawal of government funding assistance, must and should be combatted by more effective lobbying of governments by railway managements. The second threat, however, can only partly be countered by more effective lobbying.

Public support of road transport at the expense of rail transport development has usually been justified on the basis of the greater flexibility of the road transport mode. Competition from this source cannot therefore be expected to reduce in intensity for the foreseeable future, and will only be effectively counteracted if rail can offer a standard of service which at the same time satisfies the needs of customers and is superior to that on offer from its competitors. Clearly this provides rail with a substantial challenge. It will require a major change in the outlook of railway managements and in the *culture* of railway organizations. Henceforth, the activities of railway managements will have to be directed at: identifying, understanding and responding to the needs of their existing and potential customers; identifying and understanding the cost causation and profit potential associated with individual traffics or market segments; and bringing about the organizational change which will ensure that railways will satisfy new commercial goals.

These guidelines are intended to assist the railway organizations of the region to set up the systems and procedures necessary for them to be able to function as commercially vibrant, market-led organizations. However, the mere setting up of systems and procedures will not of itself ensure success. Success will only follow if the right attitudes are developed and promoted throughout the organization, starting at the very top with the Chief Executive and extending down to the lowest operative staff levels. *All* units of the organization must become and remain **customer aware**, and their activities must be harmonized and coordinated with the satisfaction of customers as the fundamental objective.

The following chapters contain: a definition of marketing; an explanation of the specific importance of marketing to railways; an appraisal of the place of marketing in the railway organization and of the relationship of marketing to railway corporate planning processes; specifications for the railway marketing plan, railway marketing management organization and functions and the marketing information system; and a description of railway traffic costing concepts and principles as they relate to marketing.