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Does competitive tendering improve customer satisfaction with public transport? A case study for the Netherlands



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ABSTRACT

During 10 years experience with competitive tendering of regional and local public transport in the Netherlands, national average trip satisfaction of passengers increased from 6.84 to 7.25 (+0.41). This is a remarkable improvement, but a closer look at the data reveals that also in regions without competitive tendering the improvement in satisfaction was substantial. The difference in the improvement for regions with and without tendering is only +0.06. Tendering led in the majority of concession areas to an improvement of average trip satisfaction, but in some 40% of the cases a deterioration was observed. A change of operator in general has a negative impact on satisfaction. We also find that the effect on satisfaction of early tendering is larger than of later tendering. This may well be the consequence of a shift in emphasis of authorities and operators from quality improvement to efficiency improvements. The model building and analysis is based on the comparison per year-pair of regions tendered versus regions non-tendered (in that specific year-pair). So we compare the effects on satisfaction of tendered regions relative to non-tendered regions.

An analysis concerning the weighted satisfaction judgments of 15 underlying service attributes revealed that 'service frequency, on-time performance, travel speed, and vehicle tidiness' contribute the most to the effect on satisfaction in the tendered regions. We found that new vehicles impact highly on satisfaction with *travel speed* and *vehicle tidiness*. The emphasis in the tenders with increasing *service frequency*, led to an increase in satisfaction but, may have a deteriorating effect on (the satisfaction with) *on-time performance*.

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1. Introduction

Reform in the public transport sector is taking place in many countries. One of the aims is to change public transport gradually from production-oriented towards customer-oriented. Service contracts are in most cases the method used to set bilateral conditions between private operators and public authorities. Contracts serve as an instrument to induce private operators in naturally non-competitive markets to act in line with social targets. Corresponding with the aims of the reform, in public transport contracts a shift towards incentive contracts based on quality requirements can be observed (see, e.g., Hensher and Houghton, 2004; Marcucci and Gatta, 2007). With a good definition of service quality and a good measuring method, authorities are attempting to impose strong incentives on operators.

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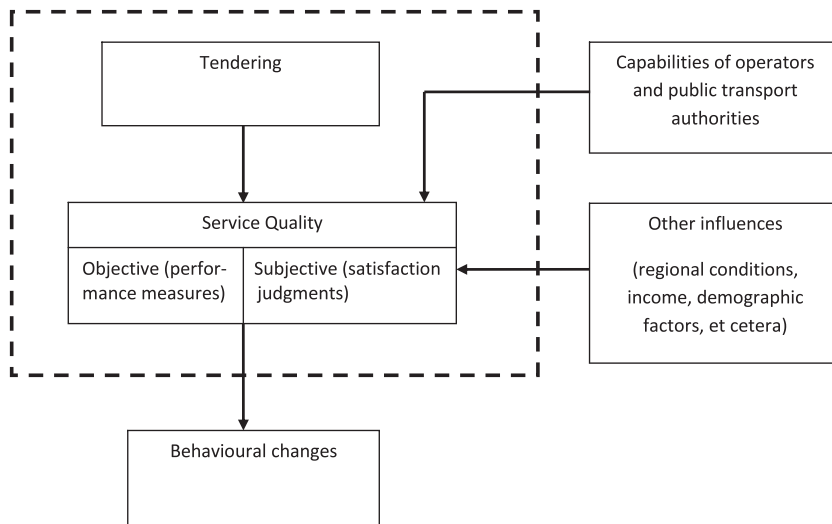


Fig. 1. Tendering and passenger satisfaction.

Reform in Dutch public transport takes the form of competitive tendering of concessions. Following the international trend, over the course of time in the Netherlands operators and authorities have tried also to become more and more customer oriented. Inclusion of quality aspects in contracts has become common practice.¹

The relationship between tendering and efficiency is widely studied (Hensher et al., 2003; Hensher and Houghton, 2004; van der Velde and Pruijboom, 2003; Walter, 2009). Few studies, however, explicitly focus on the relationship between tendering and satisfaction. The latter is the subject of this paper and the analytical results presented here are derived from the situation in the Netherlands between 2001 and 2010.

Fig. 1 provides the broader context of this paper: travel behaviour of public transport passengers is influenced by their satisfaction with the quality of public transport services. The level of satisfaction depends on a large number of regional and individual factors, and on the institutional settings within which the service supplier is functioning. We pay particular attention to competitive tendering as a possible driving force for service quality enhancements and study the relationship between tendering and satisfaction. The relationship between tendering and the objective performance of public transport in the Netherlands and other influencing factors is only briefly touched upon. In this paper we pay no attention to changes in travel behaviour due to tendering.

After a short literature review in Section 2, the regulative setting in the Netherlands is described in Section 3. In Sections 4 and 5 the research questions and methods are presented. In Section 6 the focus is put on quantifying the relationship between tendering and the satisfaction of the total trip. In Section 7 these outcomes are studied in more detail by looking at the contribution of the underlying service attributes. Section 8 deals with the central question of this study, i.e. whether tendering is the cause of the observed changes in satisfaction. The paper is finalized with conclusions.

2. Literature on service quality and customer satisfaction

The focus of this paper is on customer satisfaction and the tendering of public transport concessions. This section provides a short review of the literature on the construct of satisfaction with service quality.

2.1. Measuring service quality

The origin of the definitions of service satisfaction lies in the field of service marketing. Service marketing is a relatively new field of research that combines components from the economic sciences, as well as from psychology and sociology. At the end of the 1980s a debate ensued concerning the definition and dimensions of the concept 'satisfaction'. In that period Zeithaml et al. (1990) developed the SERVQUAL model for measuring service quality. The model could be used as a diagnosis for the shortcomings of service deliverance. The central thesis of the SERVQUAL model is that service quality can be defined as the difference (gap) between expectations, and perceptions and therefore marketing efforts should be mainly focused on closing this gap. SERVQUAL is still widely used, but its central thesis has faced criticism. The main exponents of

¹ In many contracts of Dutch authorities improvements concerning the quality of travel information, reliability, cleanliness of the vehicles and social security improvement measures are incorporated.

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