Railway Marketing and Corporate Plans:
Standards and Practices

PCM, NAIR

Objectives…

- International Marketing
- Marketing in Railways
- UNDP Report
- Country Railways
- Customer centricity
- “Managing Government, Governing Management”

International Marketing (IM)

(Source: IGNOU, School of Management Studies)

Reasons for International Marketing (IM)

- Product Life Cycle
- Competition
- Excess Capacity
- Geographic Diversification
- Increase Market Size

Modes for Entry

- Exporting
- Licensing
- Joint Venture
- Manufacturing
- Managing Contracts

➢ Agency
➢ Subsidiary
➢ Export Management
➢ Piggyback

Government Policies - Asia

Outward-oriented		Inward-oriented	
Strongly	*Moderately*	*Strongly*	*Moderately*
Hong Kong	Thailand	Myanmar	India
Japan	Vietnam		Pakistan
Singapore	Cambodia		Sri Lanka
South Korea	Bhutan		Indonesia
			Bangladesh
			Nepal
			Philippines

IM: Requirements

- Institutional Framework – Ministry and Departments
- Consultative and deliberative bodies – Board of Trade (1989), Central Advisory Council
- Commodity Organizations – EPCs (Export promotion Councils)
- Service Institutions – TDA (Trade Development Authority, 1970)

IM: Business Environment

- Cultural
- Political and Legal
- Trade, Monetary and Finance

Policy Framework

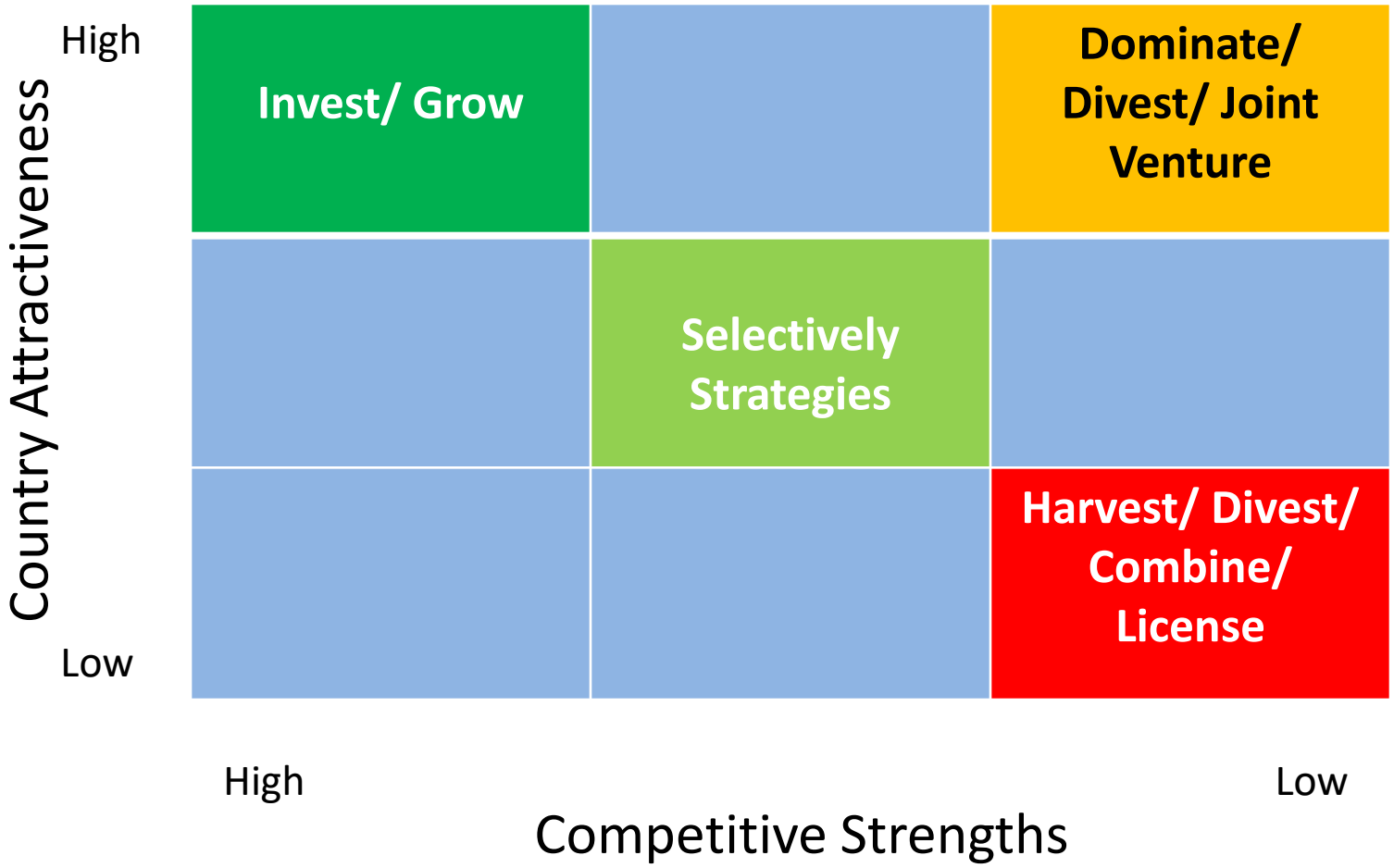
- EXIM Policy – framework, motion, simplification, streamlining
- Documentation

IM: Marketing Mix

- Product – Policy and Planning
- Promotion – Advertisement
- Pricing – factors affecting
- Place – Distribution & Sales

- People
- Process
- Physical Evidence

Marketing Selection & Segmentation



Mega Marketing

(Philip Kotler)

- **Mega marketing** refers to the **marketing** activities needed to manage the elements of the firm's external environment and try to control those factors. The external environment factors may include political, legal and technological factors. Other factors may include media , social groups and pressure groups as well. (Source: Wikipedia)

Segmentation: Planning decisions

- Diagnosis of situation
- Situation Analysis – SWOT, 5Cs, Porter's Five Forces Analysis
- Objectives
- Sales/Profit Forecasts
- Marketing Program
- Budget

E-Commerce – Retail On-line Marketing

Railway organizations

- Traditionally vertically integrated and state-owned & controlled, regulated
- Many have been corporatized, privatized
- State funding – not always
- Challenges from other modes – roads, air, water
- Public utility - providing Private Goods
- Largely product-centric – less service leadership

Railways do marketing…!?

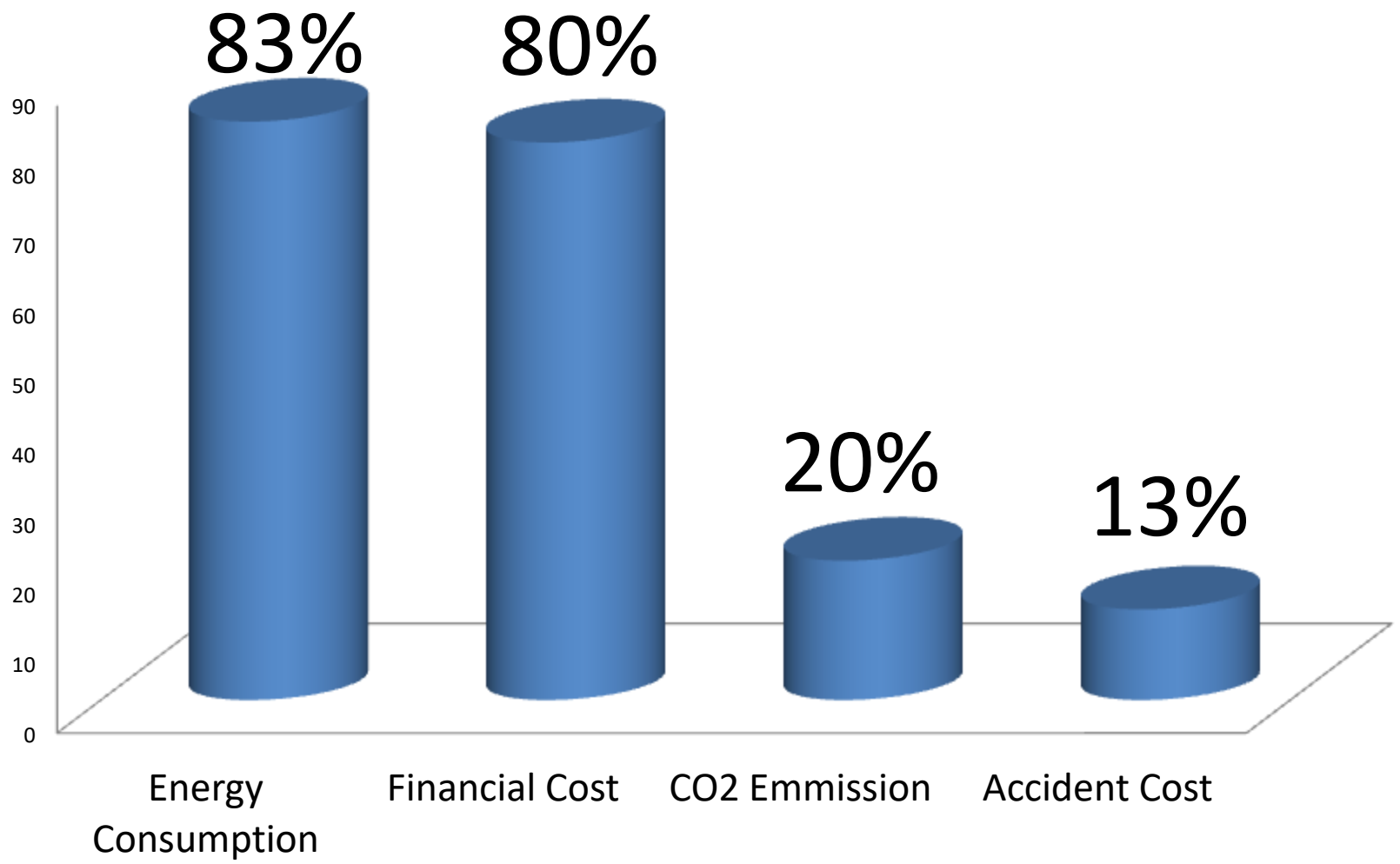
- Sales, advertising – promotion only?
- Famous 7Ps
- Forces – Porter's 5 forces model
- Private Goods provider
- Ramsey Pricing?
- Giving back to the nation
- No option left but to respond to the reality of the environment and the economy

Realities…

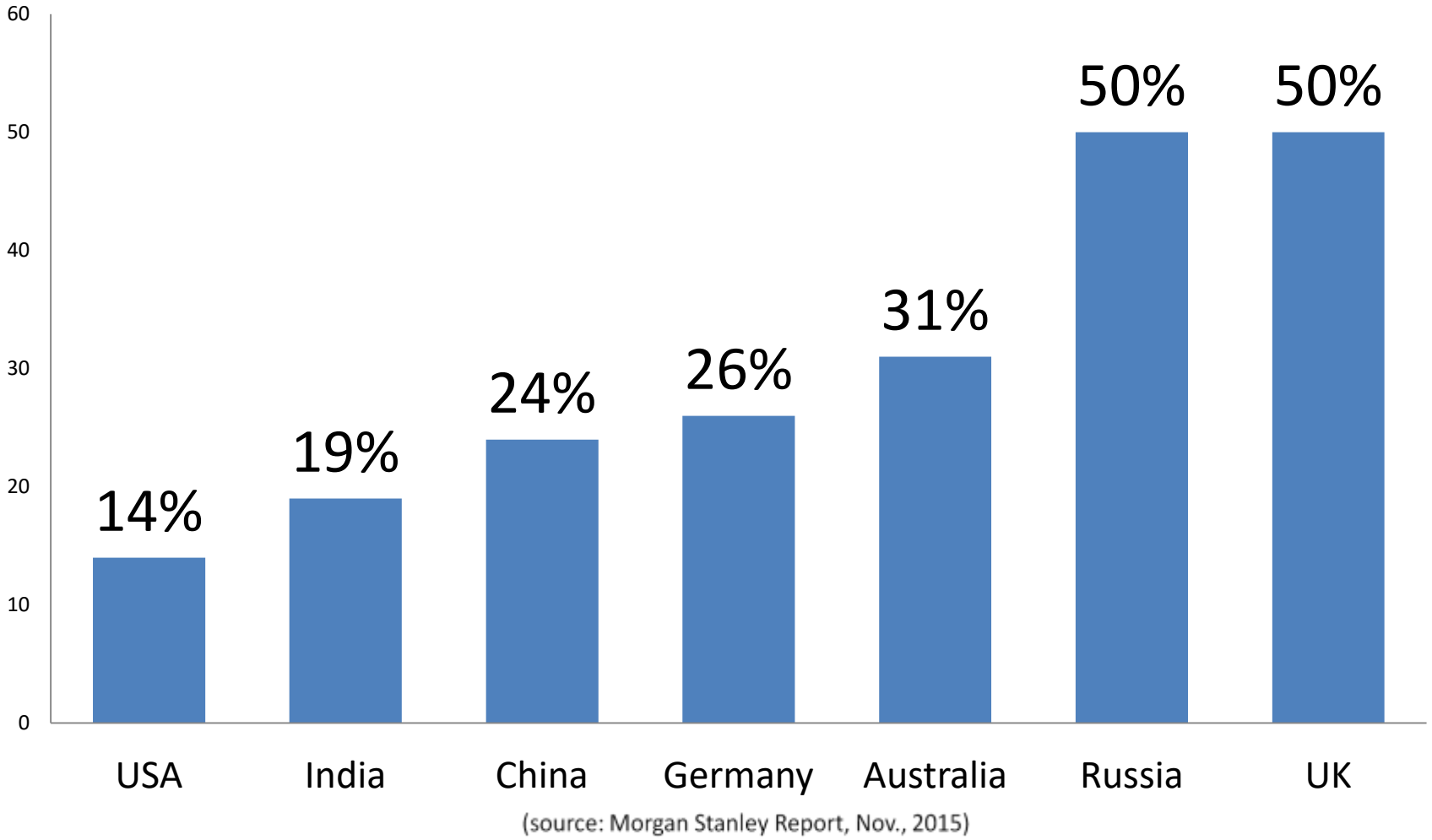
- Cross-subsidization between profitable and unprofitable services/areas - freight, passenger, parcel, and within service
- Dependency on Government funding
- Privatization may not be the solution, many flip sides
- No position of marketing unit in the corporate structure

Railway as a % of Road Cost

(source: Morgan Stanley Report, Nov., 2015)



Rail Spending (% of Rail & Road spending), C2013



(source: Morgan Stanley Report, Nov., 2015)

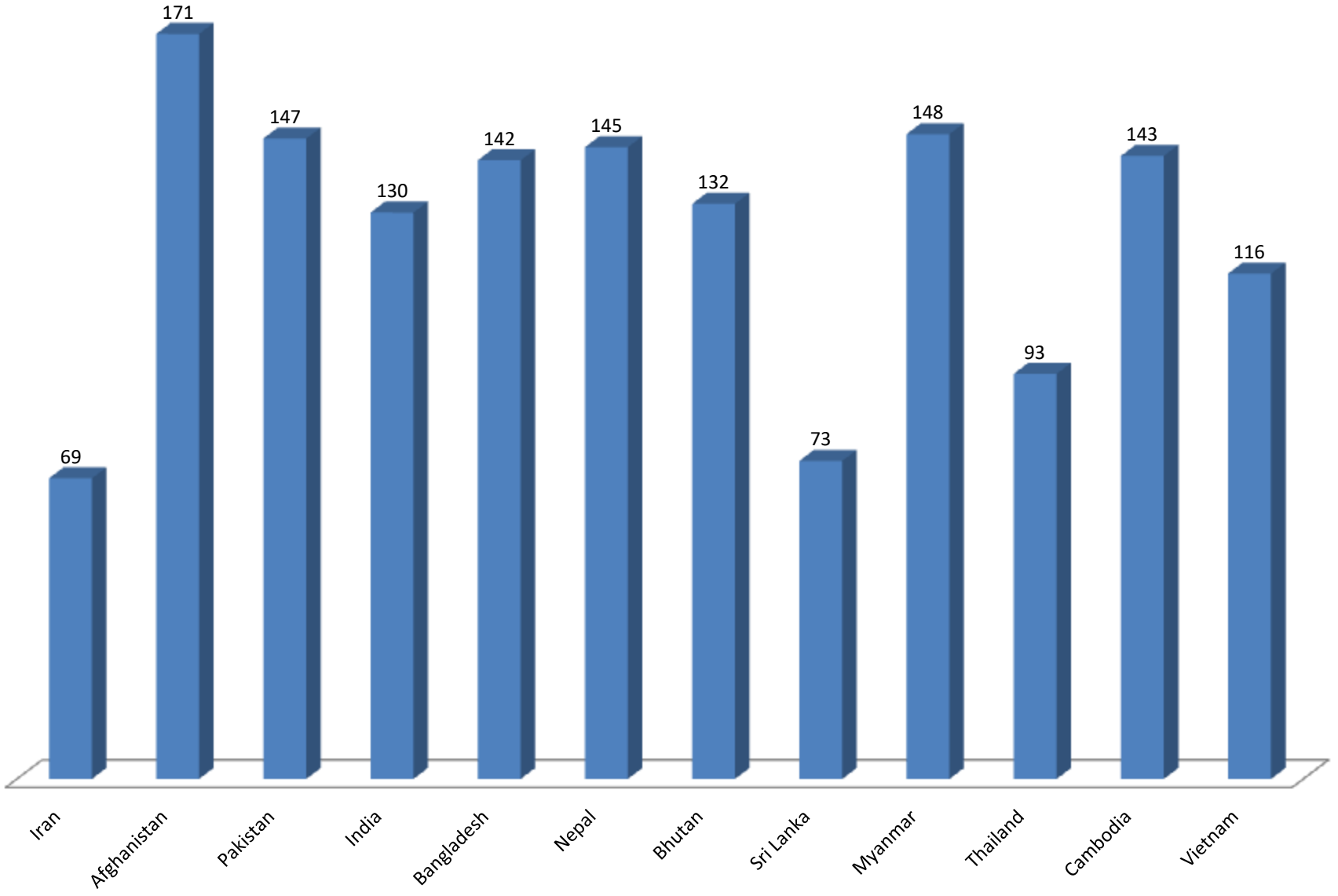
UNDP Reports

- https://www.youtube.com/watch?v=oyLXsPRuR3w

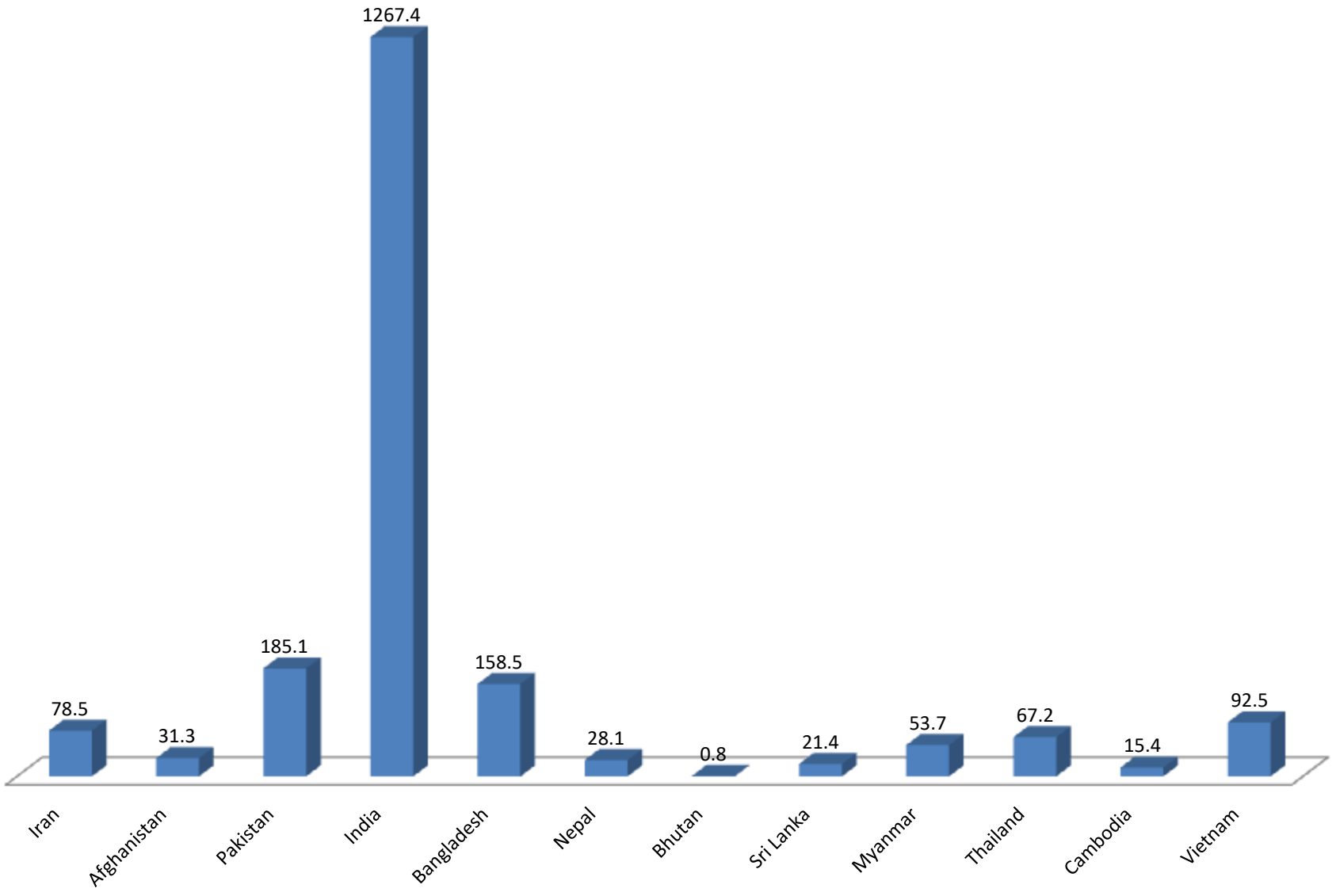
UNDP Report

Country	Iran	Afghanistan	Pakistan	India	Bangladesh	Nepal	Bhutan	Sri Lanka	Myanmar	Thailand	Cambodia	Vietnam
HDI Rank, 2014	69	171	147	130	142	145	132	73	148	93	143	116
Population 2014 (ml)	78.5	31.3	185.1	1267.4	158.5	28.1	0.8	21.4	53.7	67.2	15.4	92.5
Poverty MD HC % Year	-------	58.8 (2011)	45.6 (2013)	55.3 (2006)	49.5 (2011)	41.4 (2011)	29.4 (2010)	--------	---------	1.0 (2006)	46.8 (2010)	6.4 (2011)
GNI 2014 PC (PPP $)	15439.8	1885.3	4866.2	5497.5	3191.5	2311.3	7175.5	9778.6	4609.7	13322.9	2948.9	5091.8
Literacy Rate >15Y	84.3 (2012)	31.7 (2011)	54.7 (2011)	-------	58.8 (2012)	57.4 (2011)	52.8 (2005)	91.2 (2010)	92.6 (2012)	96.4 (2010)	---------	90.2 (2008)
EXIM % GDP (2013)	57.7 (2005)	55.4	33.1	53.3	46.3	48.2	103.7	54.5	1.1 (2001)	143.8	139.5	163.7
Mobile /100 pax (2014)	87.8	74.9	73.3	74.5	75.9	82.5	82.1	103.2	49.5	144.4	155.1	147.1

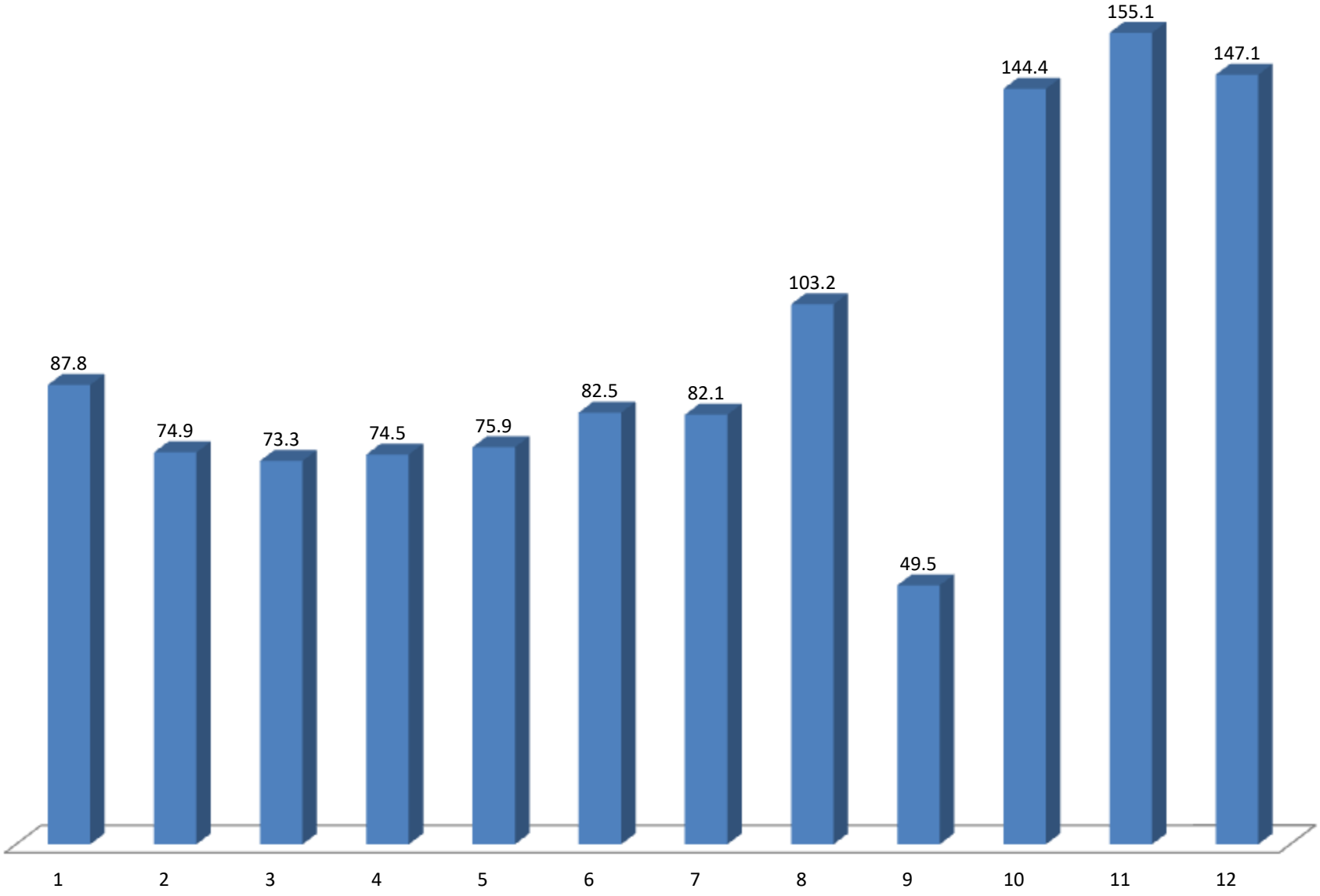
HDI Rank, 2014



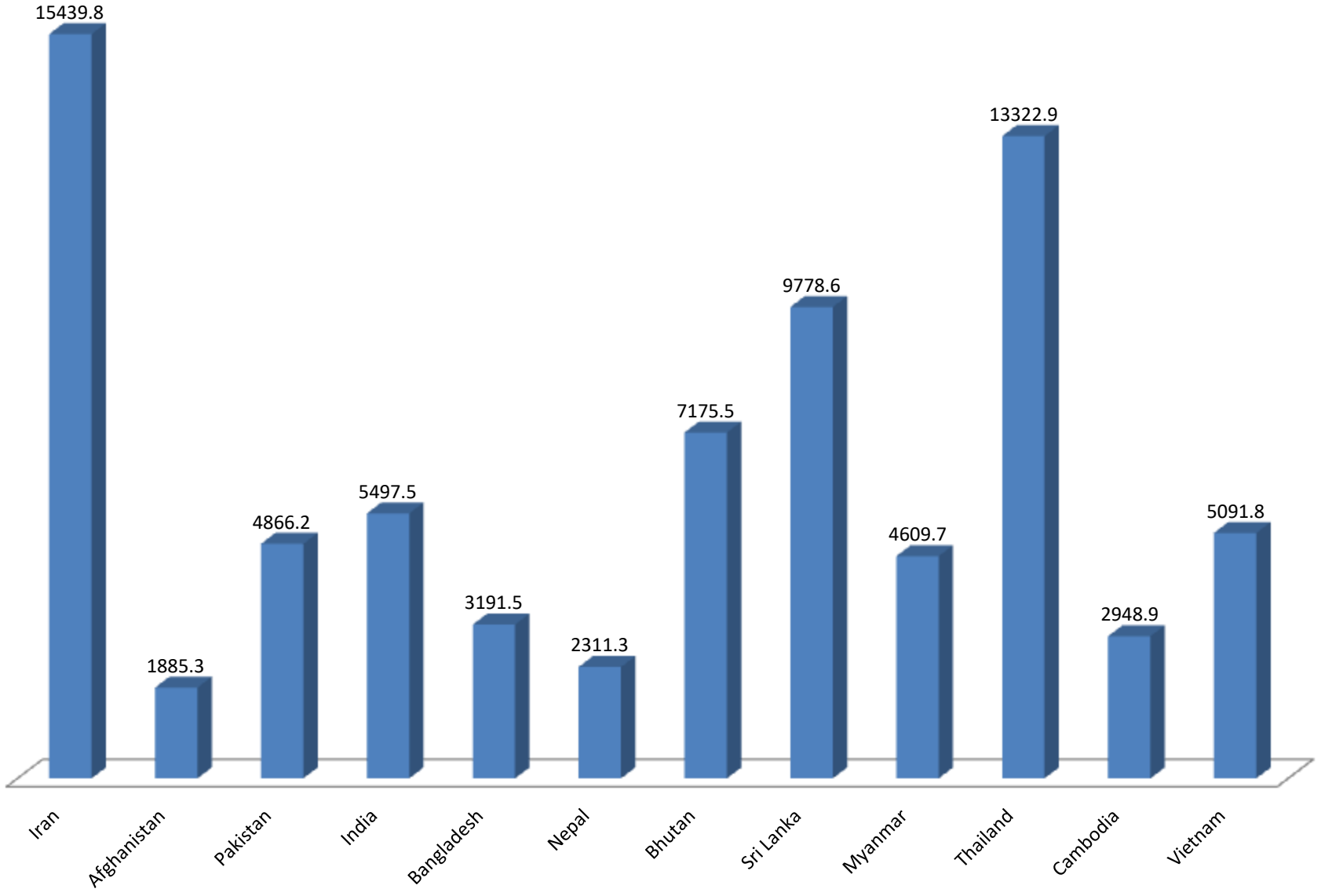
Population 2014 (ml)



Mobile /100 pax (2014)



GNI 2014 PC (PPP 2011 $)



Indian Railways

http://www.indianrailways.gov.in/

Suresh Prabhakar Prabhu

Hon’ble Minister for Railways

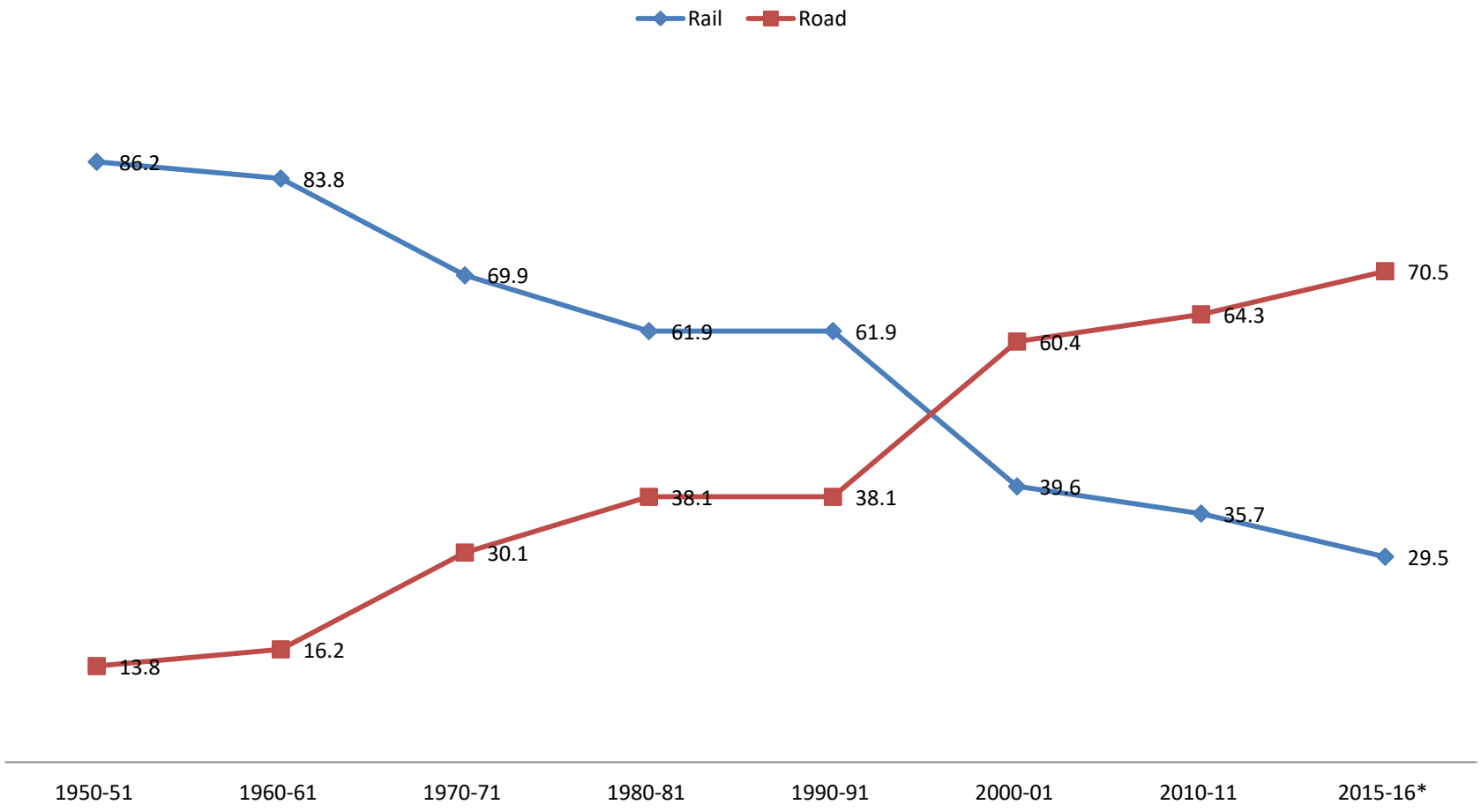
Important Statistics

Particulars/Years	1950-51	2012-13	2013-14	2014-15
No. of Passengers (Million)	1284	8421	8397	8224
Pass. Earnings (In Rs. Cr.)	98.20	31322.84	36532.25	42189.81
Freight Loading (MT)	93	1014.15	1058.81	1101.08
Freight Revenue Earning (In Rs. Cr.)	139.30	83478.83	91570.85	103100.15
Gross Revenue Receipt (Rs. Cr.)	263.30	126181.43	143213.87	161017.25
Working Expenses (Rs. Cr.)	215.74	112565.24	131464.80	144178.76
Excess (Rs. Cr.)	15.05	8266.25	3740.40	7664.94
Operating Ratio	81	90.19	93.60	91.75

Cabinet Summery for March, 2016

Originating (MT)	2014-15	2015-16	2015-16	Shortfall
Commodity	Actuals	Target	Actual	Diff . To Target
Coal	545.81	**585.00**	**551.67**	
Raw Mat. For Steel Plants	18.28	**21.00**	**20.30**	
Pig Iron and Finished steel	42.84	**43.50**	**42.47**	
Iron Ore for Exports	112.77	**125.00**	**117.38**	
Iron Ore for Steel Plants				
Iron Ore for other users				
Cement	109.80	**120.50**	**106.07**	
Food grains	55.47	**62.00**	**45.84**	
Fertilizers	47.41	**49.50**	**52.25**	
POL	41.10	**43.25**	**43.96**	
Container Services	48.38	**54.50**	**46.18**	
Other Goods	73.40	**82.00**	**78.05**	
TOTAL	**1095.26**	**1186.25**	**1104.17**	**- 8.46%**

Distribution (%) of overall Freight traffic



Cabinet Summery for March, 2016
Freight Traffic

Item	Target	Actual (Prov.)	Diff. (%)	Actual Cumulative up to July, 2015 (Prov.)
NET TONNE-KM IN BILLIONS	**61.69**	**56.47**	**-8.46**	**655.60**

Cabinet Summery for March, 2016

No. of Passengers booked (in millions)

	March, 2015	Cumulative up to march, 2015	March, 2016	Cumulative up to March, 2016
Suburban	371.60	4503.73	376.99	4459.38
Non-Sub-urban	315.77	3725.94	302.52	3692.52
TOTAL	687.37	8229.67	679.51	8151.90

Earnings and Working Expenses (Rs. in Crores)

	March, 2016 (Approx.)			Cumulative up to March, 2016		
	Budget proportion	Approx. Actual	Difference	Budget Proportion	Approx. Actual	Difference
Gross Earnings	16429.35	15503.92	-925.43	**167784.02**	**163384.74**	-4399.28
Ordinary Working Expenses	5012.45	6010.39	997.94	**109094.63**	**107709.25**	-1345.38

Classification and Rates of Goods

- http://www.indianrailways.gov.in/railwayboard/uploads/DATA/AKASH/Goods%20Tariff%20No_48%20Pt_I%20Vol_II%20%26%20Pt_II.pdf
- http://www.indianrailways.gov.in/railwayboard/uploads/directorate/traffic_comm/Freight_Rate_2016/Corrig_15_RC_8_15.pdf

Railway PSUs (Public Sector Undertakings) and other Organisations

- http://indianrailways.gov.in/railwayboard/uploads/directorate/stat_econ/Annualreport10-11/Undertaking_organisation.pdf

New and Important Initiatives

- **Freight**: Private Freight Terminals, Ware housing, Finance models, Partnerships, Empty Flow schemes, Smalls and multi-points, Incentive schemes
- **Parcel**: Parcel Cargo trains, Parcel terminals, Parcel wagons, Revised Leasing of parcel spaces, e-commerce
- **Passenger**: Pricing – Premium, Surge, Tatkal, new services, new services
- **Non-Fare box**: Advertisement, etc
- **FDI** (Foreign Direct Investment) – 100%
- **Make In India Initiatives** – Export potential
- **JVs, PPPs**
- **IT solutions** – PRS, FOIS/TMS, E-Ticketing, etc.
- **Reforms**: Bibek Debroy Committee, Reconstitution of Railway Board, Delegation, MOUs

Economic Environment

- Since 2014-15, Rainfall deficient
- Agricultural production and rural demand prospect not so bright
- Industry remains sluggish with low investment demand
- Economy not performed well in external market

Contd…

- Growth in GVA (Gross Value Added) at the base prices for 2015-16 for ‘mining and quarrying’ sector estimated to be 6.9% as compared to the growth of 10.8% in 2014-15
- Production of coal, crude oil and natural gas – growth rates 4.6% (-)0.8%, (-)2.8% in Apr-Dec, 2014-15 respectively

Contd…

- Construction sector growth 3.7% against 4.4% of previous year 2014-15
- GFCF (Gross Fixed Capital Formation) as % of GDP is declining - 33.4% in 2013-14 to 29.4% in 2015-16, a reflection of weakening of investment activities in the economy
- Needs $1 trillion in new infrastructure over next five years for 7.8% growth in GDP in 2016-17 and 10% by 2019-20

Recent Global scenario

- Slowdown of growth in China, US and major EU countries (external front of India)
- Considerable built-up inventories, in coal, iron and steel, etc
- Prices crashfor raw materials
- Reduced liquidity
- Sluggish industrial and infrastructure performance
- Reduced income opportunities
- Slowdown in capital market activities
- Decrease in real estate developments
- Increased inflation expectation
- Diminishing business and consumption confidence

Pakistan Railways

http://www.railways.gov.pk/

Khawaja Saad Rafiq

Federal Minister for Railways

Recent Reforms iniciatives

- The Railways Board was reconstituted on February 20, 2015. The new Railway Board consists of the following members:
- **Ex-officio members:**

  I. Secretary/Ministry of Railways (Chairman of the Board)

  ii. Secretary, Communications Division

  iii. Secretary, Finance Division

  iv. Secretary, Planning & Development Division

  v. General Manager (Operations), Pakistan Railway

  vi. General Manager (Manufacturing & Services), Pakistan Railway

  vii. Member Finance, Ministry of Railways
- **Private Members:**

  I. Mr. Ashtar Ausaf Ali

  ii. Mr. Muhammad Ishfaq Khattak

  iii. Dr. Zahid Saleem, Chief Executive Officer,

  COMSAT University

Financial Position

Year	Earnings target (in Billion Rs)	Actual Earnings (in Billion Rs)	Profit/Loss (in Billion Rs)	Overdraft by PR from SBP (in Billion Rs)
2010-11	19.14	18.60	-29.95	---
2011-12	14.50	15.45	-29.35	---
2012-13	20.00	18.00	-30.50	39.949
2013-14	21.60	23.00	-32.53	39.838
2014-15	28.00	32.00	-27.25	35.994

Source: PILDAT Citizens Report, Pakistan Railways: A Performance Analysis, December, 2015

Revenue Generation

Year	% Passenger Earnings	% Parcel, etc Earnings	% Freight Earnings	% Misc. Earnings
2010-11	64.29	5.47	17.93	12.30
2011-12	72.18	6.59	10.25	10.97
2012-13	74.91	5.45	10.98	8.66
2013-14	69.34	4.93	15.60	10.13
2014-15	56.29	4.07	26.16	13.46

Source: PILDAT Citizens Report, Pakistan Railways: A Performance Analysis, December, 2015

Outsourced Trains

- Business Train – Feb, 2012
- Shalimar – Mar, 2012
- Night Coach – Jan, 2013
- Cargo Express – Sep, 2014

Plan to run under PPP:

- Fareed Exp
- Bolan Exp
- Khushal Khan Khattak Exp

PILDAT Citizens Report, Pakistan Railways: A Performance Analysis, December, 2015

- The report suggests policy recommendations. Some of these recommendations are as follows:

  i. Pakistan Railways must develop and follow a strategic business plan to ensure financial targets are met and the institution is driven out of deficit.

  ii. PR must consider developing a competent Human Resource (HR) department to devise strategies for training and posting of officers and staff strictly according to merit.

  iii. Parcel Business initiatives such as leasing space in luggage vans of passenger trains to Courier Service Providers for attracting parcels traffic should be adopted.

  iv. 95.38% of PR's passengers travel using economy class services. Passenger Business initiatives must take this into account and increase passenger base to attract other classes as well.

  v. Initiatives such as E-ticketing will not only attract a larger passenger base but also address ticketless travelling to some extent. In addition to this, outsourcing ticket checking on Branch Line Trains can help curb ticketless travelling.

  vi. Increase PR's market presence by better advertising service enhancing initiatives. This could be commissioned to a private marketing agency.

PILDAT Citizens Report, Pakistan Railways: A Performance Analysis, December, 2015

- However, instead of outright privatisation of PR, which may not be possible in view of the complex nature of its working, many innovative steps can be taken to improve its performance as well as increasing revenues. These possible remedies include the following:

  i. Outsourcing non-core activities such as running of workshops, sleeper manufacturing factories, and locomotive manufacturing factory.

  ii. Under Track Access Policy private firms should be encouraged to bring in their own rolling stock (locomotives and wagons) to operate freight trains.

  iii. PR should insist on finalisation of National Transportation Policy so that funds allocated could be judiciously distributed among different modes of transportation.

  iv. Introduce IT based solutions for E-governance to increase departments' efficacy.

  v.PR must consider developing a competent HR department to devise strategies for training and posting of officers and staff strictly according to merit.

PILDAT Citizens Report, Pakistan Railways: A Performance Analysis, December, 2015

vi. Freight Business initiatives should be undertaken such as inducting high capacity wagons that are capable of running at higher speeds. This would enable empty wagons to be dispatched quickly to originating stations, especially at the Karachi Port for fresh loading. Guaranteed supply of wagons to customers investing in railway wagons coupled with freight rates rebate can further increase freight revenue.

vii. Parcel Business initiatives such as leasing space in luggage vans of passenger trains to Courier Service Providers for attracting parcels traffic. This practice is being followed by Indian Railways.

viii. 95.38% of PR's passengers travel using economy class services. Passenger Business initiatives must account for this factor.

ix. Initiatives such as E-ticketing will not only attract a larger passenger base but also address ticketless travelling to some extent. In addition to this, outsource ticket checking on Branch Line Trains can also help curbing ticketless travelling.

x. PR should consider increasing its market presence by promoting their service enhancing initiatives. This should be commissioned to a private marketing agency.

xi. A proper business plan with targets and a sound monitoring mechanism should be adopted.

PILDAT Citizens Report, Pakistan Railways: A Performance Analysis, December, 2015

- The best course of action for PR lies in setting up different Corporations to deal with non-core activities like Catering
- Corporation, or Real Estate Development Corporation. Entities like workshops, sleeper factories and other
- manufacturing units should be outsourced while retaining the ownership of the infrastructure. Similarly, other
- supplementary services such as hospitals, schools and ticket checking activity should also be outsourced. Outright
- privatisation of PR may not be a feasible solution to its misery.PR can perform better if it draws up a well-defined
- business plan for improving the condition of its assets and takes steps to generate revenues on its own.

Bangladesh Railway

http://www.railway.gov.bd/

মোঃ আমজাদ হোসেন

মহাপরিচালক

Md. Amzad Hossain

Director General

Key Performance Ratios
(figures in BDT million)

Source: https://www.adb.org/sites/default/files/linked-documents/49094-001-sd-01.pdf

Financial Performance	2010	2011	2012	2013	2014
Revenue - wihtout PSO Compensation	5,663	6,295	6,034	8,043	8,002
Revenue – with PSO and Welfare Grant	6,731	7,470	7,264	9,293	9,221
Operating Expenses	-12,572	-14,918	-15,671	-15,624	-16,017
Net Operating Deficit	-5,840	-7,447	-8,406	-7,581	-8,015

Key Performance Ratios

(figures in %)

Source: https://www.adb.org/sites/default/files/linked-documents/49094-001-sd-01.pdf

Financial Ratios	2008	2009	2010	2011	2012
Operating Ratio – without subsidy	222	237	260	194	200
Operating Ratio – with subsidy	187	200	216	168	174

Vietnam Railways

- **Vietnam Railways** (Đường sắt Việt Nam) is the state-owned operator of the railway system in Vietnam. The principal route is the 1,600 km (990 mi) single track North-South Railway line, running between Hanoi and Ho Chi Minh City.

- This was built at the metre gauge in the 1880s during the French colonial rule. There are also standard gauge lines running from Hanoi to the People's Republic of China, eventually leading to Beijing, and some mixed gauge in and around Hanoi. (source: Wikipedia)

- Report on Vietnam Railways

http://www.s-ge.com/sites/default/files/private_files/2014%2002%2018%20Overview%20Vietnam%20Railway_vf.pdf

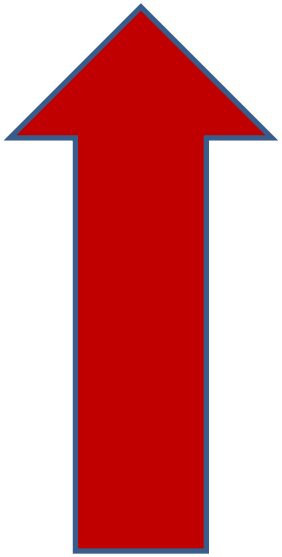
7 S Framework:

For Developing a Market-Oriented Organization

(Source: Mckinsey)

Paradigm Shift…

CUSTOMER CENTRICITY



PRODUCT CENTRICITY

	Product Centric	Customer Centric
STRATEGY	Create the best product	Create the best solution for the customer
PEOPLE/CULTURE	New Product Culture – looking for new products to develop	Customer Culture – searching for new needs to fill
PROCESSES	New Product Development	New Solution Development, Customer Experience Management
REWARDS/METRICS	Rewards new product development	Rewards people with deep insight into customers
ORGANISATIONAL STRUCTURE	PRODUCT DIVISIONS WITH P&L	CUSTOMER SEGMENTS WITH P&L

Product-Centric vs. Customer-Centric (Jay R. Galbraith, Designing the Customer-Centric Organization A guide to strategy, structure, and process, 2005)

		Products-Centric Company	Customer-Centric Company
Strategy	Goal	Goal Best product for customer	Best solution for customer
	Main offering	New products	Personalized packages of products, service, support, education, consulting
	Value creation route	Cutting-edge products, useful features, new applications	Customizing for best total solution
	Most important customer	Most advanced customer	Most profitable, loyal customer
	Priority setting basis	Portfolio of products	Portfolio of customers – customer profitability
	Pricing	Price to market	Price for value, risk
Structure	Organizational concept	Product profit centers, product reviews, product teams	Customer segments, customer teams, customer P&Ls
Processes	Most important process	New product development	Customer relationship management and solutions development
Rewards	Measures	•Number of new products •Percent of revenue from products less than two years old •Market share	•Customer share of most valuable customers •Customer satisfaction •Lifetime value of a customer •Customer retention
People	Approach to personnel	Power to people who develop products •Highest reward is working on next most challenging product •Manage creative people through challenges with a deadline	Power to people with in-depth knowledge of customer's business • Highest rewards to relationship managers who save the customer's business
	Mental process	Divergent thinking: How many possible uses of this product?	Convergent thinking: What combination of products is best for this customer?
	Sales Bias	On the side of the seller in a transaction	On the side of the buyer in a transaction
	Culture	New product culture: open to new ideas, experimentation	Relationship management culture: searching for more customer needs to satisfy

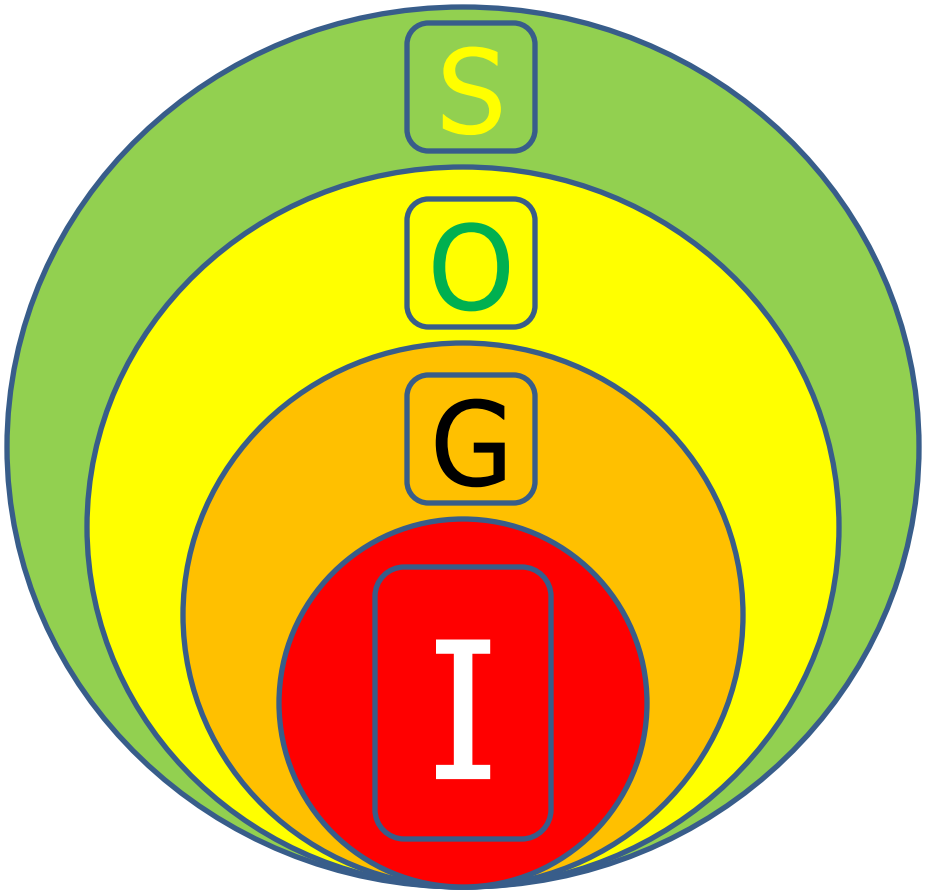
Source: This table is a composite op points describing product- and customer-centric companies taken from Peppers and Rogers (1992, 1997, 2001), Treacy and Wiersema (1995), Seybold (1998, 2001)

Service Culture Requirements…

- Strategic – whom, what, how, why
- Organizational – thin structure, few hierarchy, union, staffing
- Management – service-oriented leadership, positive communication, participate and guide – do not control and manage
- Knowledge and Attitude – motivation, service-orientation, also for those behind the line of visibility

(Source: Zeithaml V.A., Parasuraman A. and Berry, L.L., 1990)

Take Care...



(Source: CCL, USA)

Reading material…

“Managing Government, Governing Management”

--- by Henry Mintzberg (1996), HBR

mintzberg managing govts.pdf

Long live Trans-Asian Connectivity & Culture!!!

https://www.youtube.com/watch?v=kjSOG5MroJk

- Thank You
- धन्यवाद Dhanyavaad
- شکریہ Shukriya
- ধন্যবাদ Dhannobaad
- ඔබට ස්තුතියි obaṭa stutiyi
- Kyaayyjuutainpartaal
- ***Kaadinchhey La***
- ขอขอบคุณ K̄hx k̄hxbkhuṇ
- អរគុណ arkoun
- cho tôi biết