Bill's Building Blocks

Tap and Go

By the start of the semester in January 2020 the MTA had upgraded their turnstiles in NY Penn Station with "Tap and Go". For one week I could tap my credit card at NY Penn Station, but still had to swipe a Metro Card at Jay Street/Metro Park. One week later Tap and Go worked on both ends of my commute. This is nice advantage for commuters saving us time from having to get or reload our Metro Card at a machine.

Think of the NYC subway system as a service supply chain. The introduction of Tap and Go complicates the MTA's business model as there are tradeoffs whenever a supply chain change is made. Let's look at some of the issues brought on by this change.

One issue is cash flow for the Transit Authority. Say you will buy ten rides, five round trips spread over one work week, at $2.75 each for a $27.50 total. With a Metro Card the MTA realizes the full amount $27.50 in revenue at the time the card is purchased or refilled. With Tap and Go the MTA realizes only $2.75 in revenue each time a credit card is held near the turnstile. While the MTA will record the same total revenue by the end of the week, the MTA has the use of more cash upfront for a few days with a Metro Card. With hundreds of thousands of riders per day a different revenue profile can be significant.

Another issue is the additional operational complexity caused by Tap and Go. Now both Metro Card machines and multimode turnstiles must be maintained. Now customers have the option of paying by cash, debit cards, credit cards, and/or wireless credit cards. MTA finance folks need to track and analyze each source type of their revenue.

Change management is a third issue. Customers need to be made aware of the new Tap and Go option. Customers and employees need to be shown how to use the new feature. Turnstiles must be modified for multimode use system wide. Tap and Go electronics must be purchased, built, and transported to their point of usage. Technicians must be trained to install the necessary modifications. It will take some time for the turnstiles in every station of the system to be upgraded. Over some period as the use of Metro Cards falls, the number of Metro Card machines can be reduced system wide.

A capital investment in any supply chain system, especially one as complex as the NYC subway, comes with change…some welcomed and some not. It is important to anticipate the issues and to include change management in your planning.

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