**The Problem**

Burlington Northern Railroad is a large railroad company that is pondering on whether to invest in ARES (Advanced Railroad Electronics System). The investment will cost about $350 million dollars. It is expected to improve railroad operations with technology to increase service time and productivity. The investment would be so large that it would affect the whole Burlington Northern Organization. The managers of BN are essentially divided on whether to invest in ARES. ARES has offered them a lot of benefits that can improve the maintenance and tracking of trains, better communication, and planning for maintenance of way (MOW) crews. Currently, BN has no way to record and analyze their current performance because of poor record keeping and inaccurate data so there is no indicator that ARES may actual help BN with improvement. Many in BN are worried that ARES is offering too much thus the staggering cost for the service. BN thinks that they can get these benefits and just the benefits they need a lower price. Given the benefits offered, is it worth investing in ARES or are there other, cheaper business paths BN can benefit from?

**Industry Competitive**

**Mission Statement**

Burling Northern is a railroad company that transports a wide range of goods and commodities to customers nationwide.

**Core Competency**

Burlington Northern is involved with the transportation of seven primary segments: coal, agricultural commodities, intermodal, forest products, food and consumer products, and automotive products. Coal and agricultural commodities are there largest source of revenue and they excel in this through investing in lands that have a good supply of coal (Power River Basin) and can produce agricultural commodities, especially grain (Midwest and Great Plains) as well transporting them in a timely manner.

**Primary Markets**

The market for Burlington Northern depends on the demands for their primary segments. Their long-term contract customers are involved with the coal segment. Other markets were those who produced these products such as grain-producing regions and it was BN’s job to transport these goods.

**Generic Strategy**

Burlington Northern uses a cost leadership strategy. With this strategy, they follow economies of scale, meaning in the transportation industry, they must be cheaper than the competition. The market sets the price. We see this as other competitors of BN are other railroad companies such as Union Specific and trucks. The main issue they have with trucks is their low price and efficiency in quickly transporting goods. This strategy emphasizes efficiency (Tanwar), which is one of the main reasons BN is reaching out to ARES.

**Porter’s Five Forces**

**Supplier Bargaining Power**

Supplier bargaining power is dependent on the demand of the good or commodity they own. Wheat and other agricultural commodities sell well if the market has a big demand for it. As for the supplier of train equipment, I assume it would be low because maintenance seems more common than replacing actual units.

**Buyer Bargaining Power**

Buyer bargaining power is high for Burlington Northern. There are a lot more competition other than railroads in the transportation industry. One of their main competitors are truck companies as they offer the same services at a cheaper price and faster service. Therefore, customers/suppliers have a lot of options on which type of transportation they choose to transport their goods and they will most likely pick the cheapest option.

**Threat of New Entrants**

Threat of new entrants is low for Burlington Northern. There are really 2 main sources of transportation of goods on land and that would be trucks and railroads. There are already built railroads nationwide. It would be too expensive and time-consuming to build new railroads. A new entrant coming in would benefit from an already set of standards and equipment from the railroad industry but would only stand out if they had some form of technology that would increase their flexibility and efficiency.

**Threat of Substitutes**

Threat of substitutes is high for Burlington Northern. As customers are price-sensitive, there are other railroads that can acts as a substitute. The main substitute would be the trucking industry. Trucks have taken over the transportation of a lot of goods. Trucks are mostly used for commodities that are light, high cost, extremely time sensitive and come in small lots. Trains transport commodities that are heavy, low cost, and low time sensitivity, and come in large lots. The two compete for the commodities in between, but historically, trucks have been taking over those contested commodities. Therefore, customers seem to be choosing trucks more over trains.

**Threat of Infra-Industry Competition**

Threat of infra-industry competition is high for Burlington Northern. They compete to have the lowest price and best service. Union Pacific is their main competition. UP has made investments in heavy-duty double track and new, fuel efficient engines for carrying coal. Coal is BN’s biggest source of revenue and if UP is doing better in terms of service and efficiency, it would be a real threat for BN’s reputation and financial security.

**Stakeholders**

**Burlington Northern and Employees**

This includes Burlington Northern as a company and its reputation in the market. Employees include the conductors, MOW crews, maintenance crew, executives and higher-ups, and any person that works in Burlington Northern. They are deciding whether to invest $350 million dollars in ARES.

**ARES**

This includes the team that is proposing new and advanced technological solutions to BN. The decision of BN and whether the project is a success will steer them to a good or bad reputation.

**Customers**

The customers of Burlington Northern are the ones producing their revenue. If ARES is a success, they will be able to transport their products very quickly. If it is a failure, they will have to look for a new company to invest in. The customers that deal with coal are usually under a long-term contract, so they have the biggest risk of all the clients.

**Alternatives**

**Do nothing**

Impact on stakeholder: Burlington Northern and Employees

Impact on stakeholder: ARES

Impact on stakeholder: Customers

**Invest in the whole ARES Project**

Impact on stakeholder: Burlington Northern and Employees

Impact on stakeholder: ARES

Impact on stakeholder: Customers

**Look for cheaper alternatives**

Impact on stakeholder: Burlington Northern and Employees

Impact on stakeholder: ARES

Impact on stakeholder: Customers

**Recommended Solution**