**Burlington Northern Case**

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**The problem:**

Burlington Northern is having trouble keeping up with the trucking companies and other railroad companies to transport goods. They are presented with a proposition. They can invest $350 million into ARES to help improve their service and transport goods more efficiently. Will this investment bring in a return for the company? Is the $350 million the actual bottom line? Or will there be a considerable more amount of money that we will have to invest into this project? Burlington Northern is also trying to figure out if there is an alternative to ARES and if it could be available at a cheaper price.

**Competitive Analysis:**

**What they do:**

Burlington Northern is a railroad company that transports coal, agricultural commodities, industrial products, intermodal, forest products, food and consumer products, and auto motive products.

**Who:**

Burlington Northern serves many different markets. There primary market is the coal market which represents about one-third of their total revenue. Over ninety percent of this coal transported by BN originated in the Powder River Basin of Montana and Wyoming. Burlington Northern’s second largest market is agricultural commodities. BN was the number one hauler of spring wheat and the number two hauler of corn in the Midwest and Great Plains grain producing regions.

**How:**

Burlington Northern services their products by cost leadership. The cost to transport their products is cheaper than the alternative of transporting by trucks. Trucks charge as much as two to three times what it would cost for rail service. There is always a demand for the transportation of goods, therefore there will always be a need for rail services if they show cost leadership.

**Porter’s five forces**

**Competition:**

Burlington Northern’s main competition in coal was other railroads, especially the Union Pacific. BN is competing to be more efficient by having better time and reliability. They also try to be safer than the alternatives. Trucks are also a huge competition to BN, because they have much better service, but for a higher price.

**New entrants:**

There is not easy access to new entrants in the railroad industry. It is very expensive to buy railroad tracks, lay them, and maintain them. It is also challenging to get the necessary permits and licenses to create railroads.

**Power of Suppliers**

The suppliers have a good amount of power. It costs a large amount of money to manufacture railroad equipment at a cheap price. But the railroad companies still have some power with the suppliers because they have the option to buy the new equipment or not. With ARES, if the railroad companies choose not to buy this for the price they are offering, then ARES would be forced to lower their price.

**Power of Customers**

The power of the customers is not too high considering it is a necessity to transport goods. There are other railroad services they could use but they might not be as convenient or cost more. There is also the possibility of using trucks and other modes of transportation but these cost much more. BN has a diverse customer base which prevents any customer from having too much power.

**Substitute Products**

Substitute products to the railroads would be trucks, boats, barges, and planes. These products have their own advantages and disadvantages so they are a medium to a large threat. BN is trying to implement some of their substitutes competitive advantages into their own product to remain competitive.

**Organizational Structure**

Burlington Northern has a functional organizational structure. The departments are grouped together, such as agriculture, coal, etc. These departments must work together for the organization to function properly. If there are a lot of agriculture orders without any notice, then it can affect how much coal can be transported. According to Cash, the weakness of a functional structure is its inability to respond differentiated environment, which is why the inconsistency of the grain orders was so harsh for BN [1]. Therefore, the implementation of the Certificates if Transportation (COT) helps balance this by selling contracts to transport grain six months in advance.

**Critical Stakeholders:**

1. Burlington Northern company
2. The employees of BN
3. The Customers of BN

**Alternatives:**

1. Do nothing
2. Buy ARES and implement it immediately
3. Wait until ATCS is out and use it

**Impact of alternatives on stakeholders:**

1. **Impact on Burlington Northern company**

Doing nothing would save the company money in the short term but would cause them to fall behind in innovation in the future. They would have to play catch up or continue to do nothing and eventually run out of business.

**Impact on BN employees**

This would cause the employees to remain employed at the same wages but it would not open the door to new positions for employees.

**Impact on BN customers**

The customers would likely get cheaper prices in the short run but would have higher prices a few years down the road. The customers will also choose other services down the road that offer better service for similar prices.

1. **Impact on Burlington Northern company**

Buying ARES and implementing it immediately will cost the company a lot of money but will bring them in more money in the future. This will take a few years before they see revenue from this investment.

**Impact on BN employees**

The ARES will likely provide more jobs in the long run with the management team that will be involved for the project. It will cause less people to be on the train but these jobs will be moved to areas involved in the project.

**Impact on BN customers**

This will have a great impact on BN customers by increasing customer service. It might also cause the prices to go up which will have a slight negative affect.

1. **Impact on Burlington Northern company**

The ATCS will cause them to have a better idea of the mistakes they need to avoid considering the ARES project would have already been out for 5 years.

**Impact on BN employees**

The ATCS will help the employees maintain low wages in the moment but will likely make them go up when they purchase the ATCS. The ATCS will likely help provide jobs during the implementation of the project.

**Impact on BN customers**

Waiting until ATCS is out will cause them to have bad customer service for the 5 years it takes for ATCS to develop. But it will improve once they implement the ATCS. The customers are likely to have to pay more once the ATCS is out because it will cost a good amount of money.

**Citations**

1. Cash, James I.. “Corporate Information Systems Management” from CORPORATE INFORMATION SYSTEMS MANAGEMENT : THE CHALLENGES OF MANAGING IN AN INFORMATION AGE , (MCGRAW-HILL COMPANIES, INC. – BOOKS, 1999) /5 ed. Pp. 60-87, 547-561 [43 pages] ISBN: 9780072902822