

Profile Project
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BMGT370
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Greyhound Bus Lines

1.

Corporate Address: Greyhound Lines, Inc.
350 North St. Paul St.
Dallas, TX 75266-0362

CEO: Dave Leach

Number of Employees: 9,100

Website: <http://www.greyhound.com/home/>

Independent subsidiary of the British transport firm, FirstGroup

London Stock Exchange Symbol: FGP

2. Greyhound is an independent subsidiary of the British transport firm, FirstGroup, which is a public corporation, traded on the London Stock Exchange. “Founded in 1914, Greyhound Lines, Inc. is the largest provider of intercity bus transportation, serving more than 2,300 destinations with 13,000 daily departures across North America. It has become an American icon, providing safe, enjoyable and affordable travel to nearly 25 million passengers each year. The Greyhound running dog is one of the most-recognized brands in the world.

While Greyhound is well known for its regularly scheduled passenger service, the company also provides a number of other services for its customers. Greyhound PackageXpress service offers value-priced same-day and early-next-day package delivery to thousands of destinations. And the company's Greyhound Travel Services unit offers charter packages for businesses, conventions, schools and other groups at competitive rates.

Greyhound has three operating subsidiaries in the United States, which are a part of the nationwide Greyhound network. They include: Valley Transit Company, serving the Texas-Mexico border, Crucero USA, serving southern California and Arizona into Mexico, and Americanos USA, serving points in Mexico from Texas and New Mexico.

In addition, Greyhound has interline partnerships with a number of independent bus lines across the United States. These bus companies provide complementary service to Greyhound Lines' existing schedules and link to many of the smaller towns in Greyhound Lines' national route system.

Amtrak passengers use Greyhound to make connections to cities not served by rail on Amtrak Thruway service, by purchasing a ticket for the bus connection from Amtrak in conjunction with the purchase of their rail ticket. If passengers desire, they may also buy a bus ticket directly from Greyhound.

For travel within Canada, Greyhound Canada carries millions of passengers across the country's provinces and territories each year. The company also provides Greyhound Courier Express package delivery service to its various Canadian locations.

For those within Mexico who wish to travel by Greyhound in the United States, Greyhound subsidiary Greyhound de Mexico can sell Greyhound tickets at one of more than 100 agencies located throughout Mexico. The agencies also sell tickets for several Mexican bus companies, like Estrella Blanca, which connect to Greyhound service at the United States-Mexico border cities.” (About Greyhound, <http://www.greyhound.com/HOME/en/About/About.aspx>.)

3.

Operating Statistics:

- The Greyhound fleet consists of about 1,250 buses, with an average age of 7.2 years. One Greyhound bus takes an average of 34 cars off the road, and achieves 184 passenger miles per gallon of fuel.
- Greyhound uses approximately 90 company-operated bus terminals and 850 agency-operated terminals or sales agencies.
- Including all stops, Greyhound serves more than 1,700 destinations in the United States and a total of over 3,100 destinations in the US, Canada, and Mexico.
- Greyhound employs more than 8,400 nationwide, including more than 940 at its Dallas corporate headquarters, and more than 3,000 drivers based in 80 locations across the country.
- Greyhound operated nearly 5.8 billion passenger miles last year. The U.S. operation, as well as its operating subsidiaries and Greyhound Canada, carried nearly 25 million people.
- Greyhound reported that in 2009, it traveled 9 billion passenger miles.
- Greyhound operates over 100,000 route miles.
- The average customer travels 360 miles.
- The average ticket price is \$45.

Unable to find operating statistics for Greyhound PackageXpress

Customer Statistics:

- One-third of Greyhound passengers make more than \$35,000 per year.
- More than half of Greyhound riders have received higher education beyond high school.
- Forty-two percent of Greyhound passengers are between the ages of 18 and 34.

- Nearly 60 percent of Greyhound passengers travel less than 450 miles.
- In many cases, Greyhound passengers report they own automobiles considered sufficiently reliable for a trip of a similar distance, but travel by bus because it is safe and more economical.
- The majority of Greyhound passengers travel to visit family and friends, but more than 21 percent travel for business reasons.

Fleet:

- **Prevost X3-45:** Greyhound introduced the X3-45 in 2009 in the Northeast region. The bus features a new retro design, with modern amenities such as extra legroom, Wi-Fi, power outlets and three-point seat belts. All are equipped with wheel-chair lifts, and have a longer wheel base for a smoother ride. Each bus seats 50 passengers. Greyhound has 102 X3-45 models in the fleet.
- **MCI G4500:** The G4500 was introduced in 2001. With a sleek design, it is more fuel-efficient and offers roomier seating for 55 passengers. It also offers a quieter ride and increased baggage capacity. All G4500s are equipped with wheel-chair lifts. Greyhound has 290 G4500 models.
- **MCI 102DL3 / D4500:** The 102DL3 / D4500 was introduced in 1998. It has a wider body than the MC-12 and the largest seating capacity of all Greyhound buses. This 55-seat bus is used primarily on long-haul corridors. There are 646 102DL3 / D4500s in the Greyhound fleet. More than half of the 102DL3 / D4500 are equipped with wheel-chair lifts.
- **MCI 102D3:** The 102D3 was introduced in 1996 and has a wider body than the MC-12, with seating for 47 passengers. Greyhound has 77 102D3 models in its fleet.
- **MCI MC-12:** The MC-12 was introduced in 1992. The company has 240 of these buses, which offer seating for 47 passengers.

4. Motor carriers is the mode of transportation with the highest levels of variable costs and the lowest levels of fixed costs. According to *Transportation* by John Coyle, Edward Bardi, and Robert Novack, “Approximately 70 to 90 percent of the cost [for motor carriers] is variable, and 10 to 30 percent is fixed. The public investment in the highway system is a major factor contributing to this low fixed-cost structure because the highway is the motor carrier’s ‘right of way’” (112). Greyhound is also able to control the number of buses being used in a short period of time. A vast majority of motor carrier’s costs are “associated with daily operating costs—the variable costs of fuel, wages, maintenance, and highway user fees...the remaining portion of costs is associated with the fixed costs of: vehicle interest; depreciation and interest on terminals, garages, and offices; management; and overhead” (113). However, since Greyhound is a passenger carrier, they do have some fixed costs that other motor carrier companies do not. Greyhound owns many bus stations and terminals throughout the United States and they have a large corporate office in Dallas, Texas. These extra buildings contribute to Greyhounds fixed costs.

5. See Attached File

6. Greyhound is subject to economies of scale for both the passenger and package industry. Cost per passenger declines as the number of passengers traveling on a bus increases. Also, the cost per unit shipped declines as the size of the shipment increases.

Greyhound is subject to economies of scope because they use the same inputs to produce a variety of outputs. When Greyhound has a bus full of passengers, they often put packages from their PackageXpress under the bus to kill two birds with one stone. They are using the same inputs (Bus) to produce a variety of outputs (transport passengers and package transport).

Greyhound is also subject to network economies. Greyhound has all four characteristics of network economies. The passenger bus industry shares bus stations and terminals. The various Bus lines have compatibility—between equipment, operators, systems, places. Greyhound benefits from increasing the number of nodes on the system and fixed costs can be flexibility spread over increased operations.

7. Greyhound Bus Lines travels to over 1,700 destinations in the United States and over 3,100 total destinations in the US, Canada and Mexico. Because of this vast number of destinations, Greyhound serves a wide geographic market. However, its primary market is people living in or around cities who are capable of getting to the bus terminals. Greyhound's primary service is intercity passenger transportation. "Greyhound continues to focus on its short and medium haul passenger transportation business, which markets its services primarily to low to middle income travelers" (Hoover.com). Here are some statistics regarding Greyhound passengers from their website:

- One-third of Greyhound passengers make more than \$35,000 per year.
- More than half of Greyhound riders have received higher education beyond high school.
- Forty-two percent of Greyhound passengers are between the ages of 18 and 34.
- Nearly 60 percent of Greyhound passengers travel less than 450 miles.
- In many cases, Greyhound passengers report they own automobiles considered sufficiently reliable for a trip of a similar distance, but travel by bus because it is safe and more economical.
- The majority of Greyhound passengers travel to visit family and friends, but more than 21 percent travel for business reasons.

According to these statistics a majority of Greyhound riders are young, educated adults, traveling less than 450 miles, to visit family and friends.

Below is a map of the Greyhound Bus Line's destination network.



8. Greyhound has both intermodal and intramodal competitors. The industry Greyhound is in is passenger transportation, so basically any company that transports people from place to place is a competitor. Greyhound's main intramodal competitors are Trailways Transport Systems, Coach USA, and Peter Pan Bus Lines. However, back in 1999, Greyhound and Peter Pan Bus Lines did form an alliance to coordinate schedules, marketing, and ticket sales. Greyhound also has intramodal competition with car rental companies. Some of the big players in the car rental industry include Avis Budget, Hertz, and Enterprise. However, a person driving their own cars is probably their biggest motor competitor.

Greyhound's intermodal competitors come from both air and rail modes of transportation. It's biggest air competitor is Southwest Airlines because of their inexpensive ticket prices, but Greyhound also feels competition with AirTran, AMR Corp, Continental, Delta, JetBlue, US Airways and United Airlines. Greyhounds rail competition, and probably their biggest competitor of all, is Amtrak. Amtrak is the most comparable company to Greyhound and they tend to battle for passenger transportation market share.

Greyhound PackageXpress' biggest competitors are other package sending services. The main players in this industry include UPS, FedEx, US Postal Service, and DHL.

9. Being a motor carrier, Greyhound does have some inherent advantages over other modes of transportation. Greyhound's biggest inherent advantage is availability. Greyhound services over 3,100 destinations in North America and can pretty much get anyone anywhere they want. Greyhound travels to many inland cities, which boats cannot reach and it also travels to many smaller cities that planes and trains do not. Greyhound, as a motor carrier, has the ability to travel to more destinations than any other mode of transportation.

Also, since a majority of Greyhound passengers travel less than 500 miles, another inherent advantage over other modes of transportation for Greyhound is speed. For distances less than 500 miles, it is fastest to drive over taking a train or plane because of how long it takes to load and unload the plane or train. In order to fly, one must spend a lot of time at the airport prior to departure going through security and checking their luggage. This can take up a lot of time that cannot be made up by the speed of the plane in short distances. Passengers can run into the same problems with trains as planes in short distances. For traveling less than 500 miles, Greyhound, being a motor carrier, has the inherent advantage of speed.

10. The major current issues facing Greyhound are major losses in 2009. In 2009, Greyhound experienced gross losses of 528.5 million dollars. Like many corporations in the United States, these losses can be attributed the economic recession. A majority of Greyhound passengers are traveling to visit friends and family, and due to the recession, people just are not traveling as much. People are looking to save money so they are staying home and not visiting their friends and family.

Another major issue Greyhound is facing is competitors' very cheap bus lines that only run between major cities. Bus lines like MegaBus and Chinatown Bus Lines offer bus trips

between Boston, New York, and Washington DC for as little as a dollar a trip. Greyhound had to completely change their market approach, so they developed their own discount bus line called BoltBus. BoltBus offers amenities like free Wi-Fi and outlets to attract customers.

Greyhound is also struggling with the gas prices. Gas is one of the major variable costs involved in Greyhounds overall operations. Greyhound is struggling with compensating for the increase in fuel costs because they do not want to increase their ticket sales to make up for it. They are searching for other alternatives, but it has been hard to find an answer to the rising fuel costs.

11. Greyhound has a very interesting future ahead them. With such massive losses and fuel costs on the rise, Greyhound has many obstacles that they are going to have to overcome. Greyhound does have many strengths that have contributed to their past success. Greyhound is one of the most well traveled bus lines in the country. They travel to more destinations and rack up more route miles than any other bus line in the US. BoltBus has been a big success for them. The introduction of MegaBus and Chinatown Bus Lines forced Greyhound to go into the discount bus industry, but it turned out for the better. Greyhound does a very good job with business alliance. They have partnered up with other big bus lines, like Peter Pan, to try and share costs. Also, with Greyhound PackageXpress, Greyhound is diversifying to try and generate more revenues.

However, Greyhound also has many weaknesses, which has contributed to their recent gross losses. Greyhound does not have the best customer service and many of their customers have posted their complaints on various review boards online. Also, many customers complain about the cleanliness of the Greyhound bus stations. Greyhound has also had a couple of instances in the past with accidents and passenger injuries. Even though a very small percentage of Greyhound buses do get into accidents, people tend to remember these events and shy away from that company in the future.

“FirstGroup has begun a cost-cutting program at Greyhound and modified the company’s pricing strategies in an effort to boost online booking and better manage capacity. In 2009 FirstGroup America combined some of Greyhound’s offices with its headquarters in Cincinnati and cut about 1,100 jobs from Greyhound’s ranks, [which is about 12% of all employees]” (Hoover.com).

In my opinion, Greyhound is, for the most part, viable. Even though they have been experiencing net profit losses over many recent years, their losses are going down. I feel that since FirstGroup took over, Greyhound has been progressing towards a profitable company. People do need their services and people will also use busses to travel, but Greyhound just needs to work on getting their customers to travel more often, which is very hard in these tough economic times.

BoltBus and Greyhound PackageXpress have served as great growth opportunities for Greyhound. However, unless Greyhound really cuts prices or does some major marketing stunts, I really do not think that Greyhound PackageXpress will every really take off. This big package shippers of the US, UPS, FedEx, and the US Postal Service, have to big of a market share to really compete with. BoltBus has worked really well for Greyhound because today people are really focused on value. People are traveling a lot less and they are not willing to pay high rates for their bus fares. BoltBus is a great way for Greyhound to continue relationships with their better customers.

I would say that the biggest threat within the firm is the senior management of FirstGroup. FirstGroup has shown that they have no problem cutting jobs and making major changes to try and flip the company around. This could be viewed as a threat or an opportunity, but such drastic changes could affect the culture of the company, which in turn could cause problems down the road. The biggest threats outside the firm are the economic recession, fuel costs and low cost competitors. The recession is keeping people from traveling, which does not help Greyhound in any way. Also, rising fuel cost greatly affects their costs. Their low cost competitors are also a big threat because they may take some of Greyhound's market share.

12. Greyhound does need to take some action to continue to prosper in the future. First of all, they need to clean up their bus stations and get their act together with customer service. Too many of their customers are complaining. Next, Greyhound needs to come up with a marketing campaign to set themselves apart from their competitors. The passenger traveling market has many big players and Greyhound needs to do something to put themselves in front of the rest. However, the biggest thing Greyhound needs to do is just hold on during the recession. The economy will get better and people will begin to travel more. Almost every company in the US has had a bad couple of year, but the economy will improve. One major thing that Greyhound

can do to continue to prosper is to continuing to promote their BoltBus line. People are looking for value these days and BoltBus is Greyhounds ticket into this market.