An Analysis of Trails East Tours Incorporated 2022[1]

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Abstract: This study is a case analysis of Trails East business strategy, including the internal and external environmental factors affecting their operations, and our recommendations for enhancing the performance of the firm. A variety of mitigating factors are addressed in our inquiry including the closure of multiple bus companies following the global pandemic and the current and potential future environmentally based restrictions on emissions and equipment.

Keywords: strategic analysis, transportation industry, case analysis

1. Introduction

Trails East Tours Incorporated is a privately owned school and charter bus company based out of Middletown, New York. Established just after the end of World War II, they currently employ about 140 employees and maintain a fleet of 6 coach and mini coach buses and 110 school buses.(D&B Inc., 2023) Their staff includes6 full-time charter coach drivers and 85 school bus drivers, while their management staff is comprised of a President, Vice President, Chief of Staff/charter bus operations manager, school bus operations manager, charter bus maintenance chief, school bus maintenance chief, safety department head, and a human resource department chief.

Trails East serves the school districts of Orange County and run charter operations within New York State, USA. Trails East Tours'revenue is primarily derived from their contracts with local schools to provide school bus transportation, along with serving several junior colleges' athletic teams for travel for away games, and chartering coach buses for trips that originate or end in New York State.

1.1 Trails East Tours Incorporated's mission

The mission of Trails East Tours is to provide safe, viable transportation services for their customers that contributes positively to the transportation experience of the individual and the needs of the school districts that they serve. Trails East Tours is committed to a total community approach to their transportation solutions, using the latest measures and techniques in order to ensure they are leaving the smallest environmental footprint possible, while maintaining an unbeatable safety performance record, and top-notch local customer service (Trails East Tours Inc., 2022).

1.2. Trails East Tour Inc.'sstrategy

Trails East Tours employs a differentiation strategy, wherein they attempt to produce a quality service that is not duplicable by the competition and deemed by the customer worth paying a premium price for (Ireland et al., 2012). Being centrally located in the Orange County, they are able to adequately target and serve those school districts that do not own and operate their owned fleet of school buses and drivers. For a majority of public schools, this allows their funding to be subsidized by the state government in providing for their contract payments. By outsourcing their transportation services, school districts take a heavy-based variable expense (i.e.

[1] The name of this firm has been changed as per the request of the company.

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fuel, drivers, vehicle maintenance and repair) and convert it into a predictable flat fee, competitively bid fixed expense.

For the junior colleges, it is a much cheaper alternative to contract their athletic teams' travel rather than maintain buses and drivers when they are not consistently in use. As for charters of their coach buses, their modest fleet size and proximity to New York City, along with the borders of New Jersey and Connecticut, gives Trails East the ability to serve customers throughout thetristate area. By storing, operating, and maintaining their own fleet and managing their own drivers, they are able to keep costs low and also do not worry about the uncertainty associated with outsourcing transportation-related services (i.e. vehicle maintenance and repair(Interview with Trails East Tours Former Chief of Staff, 2022).

2. External analysis

Part of determining the effectiveness of a firm's strategy is in conducting an analysis of the external environment, in order to determine the opportunities and threats present to that firm.

2.1 PESTI analysis

A political, economic, social, technological, and industry (PESTI) analysis is useful to analyze the trends of broader society as they relate to the operation of the firm (Ireland et al., 2012). Table 1applies this to Trails East Tours. The table indicates how the school and charter bus landscape has shifted post COVID-19 quarantine, along with the continued pressure for greener operations.

Table 1 PESTI analysis of the external environment

(P)olitical	•Increased regulations on green operations
(E)conomic	•Diesel fuel prices rising •Transfer from district owned school buses to privately owned firms incurs cost on parents of schoolchildren
(S)ocial	•Bigger push for use of electric vehicles across government and public institutions •Some schools engaging in continued distance learning leading to less need for full-week school bus operations •Work from home and shortened work weeks leading to massive drop in commuter operations for charter buses
(T)echnological	•Emissions technologies becoming a necessity to meet greener operation requirements •Development of equipment ordering/maintenance software •Production of electric school and charter buses
(I)ndustry	•Massive consolidation of school and charter bus companies due to COVID-19 closures •School districts looking to divest of fleets due to driver shortages •Most bus companies service either school bus operations or charterering coach buses

Note: Table 1 was derived from data gathered on 2022, November 26. Interview with Trails East Tours Former Chief of Staff (J. Giordano III, Interviewer).

During the COVID-19 quarantine, large numbers of bus companies discontinued their operations due to low use and high maintenance costs, which subsequently led to larger openings for those companies who were able to weather these market contractions. These changes did lead to several school bus contract openings, however it did not actually improve the need for charter bus operations. Demand remained about the same, with commuter

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operations falling significantly due to telecommuting and shorter workweeks becoming commonplace for many customers who worked outside of New York City (Interview with Trails East Tours Former Chief of Staff, 2022).

Since 2010, there have been increased regulations on emissions that has led to the need to install emission control hardware in all school and coach buses. The maintenance and replacement of this hardware is a constant issue, as their replacement parts are not regularly stocked by their suppliers with having a faulty or non-functional emission control system making the bus illegal to operate under current regulations. Many conjecture that future vehicle requirements for all government and public institution transportation will be electric in nature, which, if also applied to contracted companies, would render Trails East's current fleet obsolete. They would be forced to bear the financial burdenof purchasing brand new buses, maintenance gear, garages, and work with their locality to install an entirely new grid for vehicle charging (Interview with Trails East Tours Former Chief of Staff, 2022).

2.2 Porter's (1980) five forces model

Using Porter's (1980) Five Forces Model of industry competitive forces,we examined the key factors that are affecting the profitability of Trails East Tours. As per Table 2, it is clear that Trails East Tours is operating at mostly a steady state when it comes to their ability to earn profits without either expanding their reach into domains covered by competitors like Leprechaun Lines (i.e., city bus contracts) or by lowering their contract rates to underbid competitors such as Orange County Transit. The small number of suppliers and their essential nature allows them to hold the bus industry on a standard pricing structure, while parts shortfalls affect the transportation industry nationwide. The fact that substitute services are not cost or time efficient allows for the continued success of the charter bus industry, while the high barriers of entry and difficulty to scale helps to keep potential entrants out of the running. The fact that the only other existing large competitors to Trails East Tours are operating in differing industry segments (between only supporting charter coach bus operations or school bus contracts) allows Trails East Tours to competitively operate during both the school and summer seasons.

This oligopolistic-like structure also has affected the competitive nature of this industry (Ireland, Hoskisson, & Hitt, 2012). There is a surprising camaraderie between Trails East Tours and its two main competitors. They have actually supportedeach other's operations when there is a driver shortage or equipment malfunctions. Drivers and vehicles are leant out for a small contingency fee therein reducing "poaching" (stealing another firm's work) and building interdependencies between the firms. (Interview with Trails East Tours Former Chief of Staff, 2022).This sharing also breaks down the "us/them" nature of competition in general – cooperation and cooptation are excellent noncompetitive strategies that provide firms greater control of their environment. (Pfeffer & Salancik, 1978)

Table 2 Industry analysis using Porter's five forces model

Threat of New Entrants	Bargaining Power of Suppliers	Bargaining Power of Buyers	Threat of Substitute Services	Rivalry Among Existing Competitors
• Barriers to entry include high costs to pruchase fleets, obtaining certifications to instruct drivers, purchasing lots and garages, purchasing service equipment • Difficult to scale up due to competition and needing to break into contract environments • Capital requirements are high in order to purchase items above • Differentiation is very difficult outside of manning a full eletric fleet	• Coach bus: 3 major producers (MCI used by Trails West Tours) • School bus: International, Bluebird, Thomas (International used by Trails West Tours) • National providers; customers across the country • Not very unique in products outside of electric vehicles • No substitute products available • Switching costs high when it comes to retraining on maintenance and outfitting shops	• Static number of school districts in county • Charter customers vary but are typically seasonal • In local market there are not too many competitors available • Switching costs negligiible as most contracts are roughly the same price per service varying only on the size of the fleet they require	• Functionality can only be duplicated via school-owned vans, private car services, and the use of personally owned vehicles	• Only two other large name competitors in Orange County • Leprechaun has about the same coach bus fleet size and Orange County Transie has a smaller school bus fleet • The quality of both coach and school buses provided by these other firms is about the same • Primary exit barriers are the high costs due to loans against bus fleets

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Note: Table 2was derived from data on 2022, November 26. Interview with Trails East Tours Former Chief of Staff (J. Giordano III, Interviewer).

2.3 Competitive analysis

When conducting a competitive analysis, we have focused on Trails East Tour's most direct competitor in charter bus operations, Leprechaun Lines, and in their school bus operations, Orange County Transit. Table 3 shown below includes company highlights, market, product, and SWOTT information.

Table 3 Competitive analysis: Leprechaun Lines & Orange County Transit LLC

		Trails East Tours	Leprechaun Lines	Orange County Transit LLC
Company Highlights	Company Profile	Founded 1947. Provides school bus and coach bus services on contract or single use. Revenue driven by school district contracts and chartering coach buses.	Founded 1934. Provides coach and city bus services on contract or single use. Revenue driven by city bus contracts and chartering coach buses.	Founded 2007. Provides school bus services on contract. Revenue driven by school bus contracts.
	Key Competitive Advantage	Brand recognition in local area, size and diversity of fleet maintained on hand.	Maintains city buses for local government use, guaranteed contracts. Can offer school buses on case-by-case basis.	Focus is entirely on school buses, maintains large staff of full-time drivers.
Market Information	Target Market	Orange County school districts, college sporting events, chartered event trips in New York state	Orange County cities public transportation, small number of Orange County schools, chartered trips in New York, Massachusetts, New Jersey, and Washington DC.	Orange County private and public schools.
	Market Share	School bus service: 40% College bus service: 60% Charter trips: 45%	School bus service: 20% College bus service: 40% Charter trips: 40%	School bus service: 30% College bus service: 0% Charter trips: 0%
	Marketing Strategy	Organic, primarily; contracts based on previous and word of mouth	Organic and significant online presence.	Organic, mostly direct B2B with school districts.
Product Information	Products & Services	School buses, coach buses	Coach buses, school buses	School buses
	Pricing	Contracted school buses for districts:approx. $15 mil Charter coach buses: variable	Contracted school buses for districts: approx. $5 mil Charter coach buses: variable	Contracted school buses for districts: approx. $8 mil
	Distribution Channels	Direct and through other local companies if buses are required to fulfill a contract	Direct and through other local companies if charter buses are required to fulfill a contract	Direct and through other local companies if charter buses are required to fulfill a

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				contract
SWOTT Information	Strengths	-Provides training for drivers to acquire their CDL-B, allowing for creation of drivers in-house -Size of school bus fleet -Garage proximity to school districts	-All drivers full-time with full benefits package -Consistency of city contracts for public use of charter buses -Multiple garages able to serve different cities	-Focus solely on school buses allowing for easier maintenance and replacement of vehicle parts within the fleet -Size of school bus fleet
	Weaknesses	-Not enough growth potential for drivers and majority on part-time; difficult to maintain full staffing -High maintenance costs due to new federal government restrictions on emissions -Management; lack of experience in operations within senior management	-High maintenance costs due to constantly running coach buses on city routes -Higher employee costs to maintain full-time drivers - High maintenance costs due to new federal government restrictions on emissions	-Younger company, much harder to scale and displace longer-established firms -High maintenance costs due to new federal government restrictions on emissions -Multiple storage lots but not an equal number of maintenance bays
	Opportunities	-Many bus companies shuttered during COVID, not many competitors in local area -District owned companies looking to outsource due to ongoing driver shortage		
	Threats	-Larger companies acquired recently closed fleets and driver pools -Fuel volatility, pricing for diesel -Federal/state regulations requiring fleets to go green/electric		
	Trends	Larger commuter-based motor coach companies that focused on running employees to major cities due to remote working and the implementation of the four-day workweek now operating on less than 40% capacity		

Note: Table 3 was derived from data gathered via a variety of sources; Trails East Tours (2022, November 26), Interview with Trails East Tours Former Chief of Staff (J. Giordano III, Interviewer); Leprechaun Lines Leprechaun Lines. (2022). *About Us*. Retrieved from Leprechaun Lines: https://leprechaunlines.com/about-us/; Orange County Transit was via Orange County Transit LLC. (2022). *Our Story*. Retrieved from Orange County Transit: https://www.orangectytransit.com/about; and future regulations from Zambito, T. (2022, April 29). *New York wants its city, school bus fleets to Go Electric. How much could the plans cost?* Retrieved from The Journal News: https://www.lohud.com/story/news/2022/04/29/new-york-city-wants-school-buses-electric-mta-cost/9571891002/.

As seen in Table 3, Trails East Tours holds a significant share of the market, offering both school buses and chartering coach buses, in contrast to their competitors that typically specialize in one or the other market segment. This market breadth, combined with their sizeable fleet, allows Trails East Tours to charge more for their contracts as they can provide a higher volume of drivers and buses with greater flexibility and less notice than their competitors. Their location and on-the-job training for drivers also allows them to replace buses during the workday on a shorter time delay and maintain a significant pool of certified drivers to draw from. The fact that Trails EastTours does not keep their drivers on at a full-time status however means that driver retention is low. The senior management team's lack of experience in bus operations also precludes them from adequately planning to address future issues when it comes to employee turnover during peak periods, maintenance windows, and contract forecasting (Interview with Trails East Tours Former Chief of Staff, 2022).

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One of the biggest threats is the growing environmental regulations. As mentioned earlier, the emissions control systems are the primary reason that buses are taken off the road for maintenance. With future legislation being aimed at stricter controls, and even the requirement for fully electric vehicles, owning and operating a bus company is only going to get more costly and complex. "An average diesel transit bus costs around $500,000, compared with $750,000 for an electric bus, and a diesel school bus costs around $110,000 compared with $230,000 for an electric school bus, according to the report." (Maloney, 2019)Only by forecasting for these eventualities and maintaining an adequate surplus of parts in their maintenance bays are these companies going to lessen the difficulties that are going to continue to arise with the implementation of these regulations (Interview with Trails East Tours Former Chief of Staff, 2022; Zambito, 2022).

3. Internal Analysis

After conducting an external analysis, an internal analysis is necessary to determine the overall strengths and weaknesses of the firm.

3.1 VIRO (valuable, inimitable, rare and organized) (Ireland, Hoskisson, & Hitt, 2012)

In Table 4we have compiled a breakdown of several of Trails East Tours' resources. Their sustained competitive advantages come in the form of the size and diversity of their bus fleets, the breadth and experience of the maintenance bays and staff, and their relationships with the local school districts. The large size of their fleet means that they can support a multitude of contracts and charters at moment's notice, while their maintenance bays are staffed by knowledgeable and skilled mechanics. Their longstanding relationships with the local school districts allow them continued renewals of their contracts, despite their competitors offering lower prices, due to their competitors' smaller fleets and less flexibility (Interview with Trails East Tours Former Chief of Staff, 2022).

Table 4 VIRO analysis of Trails East Tours

Resource/Capability	Valuable?	Rare?	Inimitable?	Organized?	Impact of Resource
School/charter bus fleet	YES	YES	YES	YES	Sustained Competitive Advantage
Maintenance bays/staff	YES	YES	YES	YES	Sustained Competitive Advantage
Relationships with school districts	YES	YES	YES	YES	Sustained Competitive Advantage
Cost Efficiency	YES	YES	YES	NO	Unused Competitive Advantage
Trails East Tours Brand	YES	YES	NO	YES	Temporary Competitive Advantage
Operations	YES	NO	NO	YES	Competitive Parity
Accounting	YES	NO	NO	NO	Competitive Parity
Human resource management	NO	NO	NO	NO	Competitive Disadvantage
Marketing	NO	NO	NO	NO	Competitive Disadvantage

Note: Table 4was derived from data gathered on 2022, November 26. Interview with Trails East Tours Former Chief of Staff (J. Giordano III, Interviewer).

Where Trails East Tours begins to fall short is in their cost efficiency and their branding. They are not the only transportation company in the area, just the one that is most able to adequately serve both school bus contractsand charter bus operations. They are also not well-organizedcausing cost inefficiencies. For example, they have not had a chief financial officer on their staff for several years, resulting in their major financial decisions

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typically being made by their President. This manner of managing the firm's finances is not a long-term solution for success by any means. Their accounting system is also currently unmanaged since their chief of staff was removedwith no apparent intent to secure a comptroller. The firm only maintains a singular bookkeeper for both operations of the business with their singular human resources employee handling the payroll. Their lack of human resource management expertiseinfluences employee recruitment, training, development and retention. This, coupled with a low level of importance assigned to their marketing efforts, reduces the firm's growth potential. The current president and vice president see no need to expand the firm further, so little to no funding is allocated to marketing their business outside of the districts and the customers they currently are serving (Interview with Trails East Tours Former Chief of Staff, 2022).

3.2 Value chain

When looking at the value chain of Trails East Tours, their strengths are apparent in their primary activities, mainly their inbound logistics, operations, and service. The securing and maintenance of contracts with the local school districts is done on an almost autonomous level, with templates merely having dates and rates changing when the new bid seasons arrive. Their sizeable fleet and stable of drivers mean that they are able to provide more buses for longer periods and with greater flexibility than their closest competitor, Orange County Transit. Their operations were running relatively smoothly with their former chief of staff also running charter coach scheduling/operations and a 12-year employee running school bus operations. However, the recent removal of the chief of staff left a vacuum that they have been unable to fill as of late. They have instead split the charter bus operations amongst the school bus operations manager and a junior manager of charter scheduling. Their service again ran smoothly as the chief of staff acted as the buffer on the charter bus side and the school bus manager on the school district side. These responsibilities again have been shifted to the aforementioned management staff (Interview with Trails East Tours Former Chief of Staff, 2022).

Where Trails East Tours falters is in the infrastructure of their firm and their procurement process. There is currently no formalized chain of command, meaning that drivers will often go directly to maintenance staff about their issues or the president themselves regarding personnel problems. A complete lack of concrete accountability means that whoever is informed of an issue should know exactly who should be told next. This is not often the case and can result in issues not being raised to the appropriate management levels and individuals andtherein not addressed in a timely manner. Trails East procurement of replacement vehicle parts and the training of new hires isineffective. Their current software is outdated and ineffectual at maintaining the vehicle quality maintenance levelsbecause the system has no way of assisting the maintenance staff in forward planning for replacement parts to be purchased. New hire training is conducted on an as-needed basis, meaning that if there are gaps in the schedule in terms of assigned drivers, management scrambles to secure and train new hires while their current management team covers the schedule gap by using themselves as drivers. This is far less preferred than maintaining a rotating schedule of 'off' drivers on call who can cover any shortfalls. This failure to plan for exigencies is an issue that needs to be addressed and corrected by higher levels of management (Interview with Trails East Tours Former Chief of Staff, 2022).

4. Results of SWOTTanalyses

In their current state, Trails East Tours' strengths are equal to their weaknesses, yet we see this as a tenuous balance that has only been maintainedby the former chief of staff. This key person, who was eventually let go, reported he was constantly at odds with the president and vice president. With his removal, cross-functional communication has begun to drop, along with proper operational forecasting, and maintenance procurement schedules. The former chief of staff, though no longer employed at the firm, has continued to field calls from the acting charter bus operations manager about buses being double-booked or charters having been booked that have no drivers to support them due to higher scheduling volume. He has also receivedcalls from the maintenance supervisor about bus part ordering projections, which were typically addressed via direct communication between the operations managers, a practice that appears to have fallen off since the chief of staff's departure (Interview with Trails East Tours Former Chief of Staff, 2022).

Along with these issues, the growing threat on the horizon is the implication of increased emissions control regulations and a potentialrequired conversion to electric fleets of buses. While Trails East Tours currently maintains their position in opposition to this threat, the next few years will see more stringent regulations applied

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to all public and government transportation fleets. The president and vice president of the firm as of this writing have no plans to delve further into converting their fleet, nor are they forecasting the purchase of the necessary emissions parts needed to keep their fleet street-legal. Instead, they are only purchasing what they absolutely need, as the vehicles are retired and taken off the road. This lack of a bias for action continues to reduce the number of buses in their fleet and thereby will result in further future costs and capital outlays (Interview with Trails East Tours Former Chief of Staff, 2022; Zambito, 2022).

The implications of these analyses are that the future of Trails East Tours could be fraught with mismanagement, misallocation of funds, and a lack of direction when faced with an emerging threat. When there is no clear line of accountability from the management team down to the drivers and maintenance staff, key issues could be overlooked, leading to operations and maintenance pitfalls at best and a failure to meet contractual obligations at worst. A senior management team that has no financial officer to assist in budgeting and the implementation of acquisitions and forecasting future needs produces a reactive corporation that falls prey to the environment around them, rather than mastering it.

5. Trails East Tours' business strategy – misalignment with operations

The current differentiation strategy that Trails East Tours utilizes is misaligned when it comes to their mission versus their actual internal operations.If their goal were to maximize quality service through maintaining a large fleet of vehicles and drivers, why would they not hire a financial officer to manage major capital acquisitions, especially when neither the president nor the vice president has experience in the financial sector? As a result, there is little accountability in regards to expenses and fleet growth.

Case in point. Their purchase of a computer program for the acquisition of vehicle parts in 2016. There was nothing wrong with the previous system, and both the chief of staff and maintenance manager stated they had no use for a new system. The president decided they would make the conversion anyway, and vehicle part procurement and supply management efficiency dropped significantly due to the new software being ineffective and at times inoperable. Trails East later reverted back to the original software, absorbing the loss of the tens of thousands of dollars spent on the dysfunctional program (Interview with Trails East Tours Former Chief of Staff, 2022).The senior management team's flawed financial decisions have made the firm a reactive company since neither officer has a background in operations or finance. (Interview with Trails East Tours Former Chief of Staff, 2022).

6. Conclusions: The need for realignment

A few short and longer-term actionsthat can be taken in order to help realign the firm with their overall mission. In the short term, Trails East needs to develop a chain of command accompanied by an organizational chart. They need to strengthen their management team by hiring a CFO, a CHR, and a new chief of staff. They also need to make their drivers full-time and provide benefits. Once completed, the president and vice-president need to shift their perspective away from operations and instead, focus on the external aspects of running the firm including marketing, public relations and political activism (in terms of proposed environmental regulations re: emissions and electric buses). This will allow the firm to grow and reduce its dependency on its competitors for driver and vehicle support.

A specific chain of command will help to solve communication issues amongst the business functions along with breaking down decision silos (each function making decisions where there are independencies with other business functions). The hiring of a CFO will help with the long-term financial planning while a chief of staff will expedite any communications issues that could continue to arise and help senior management mitigate any external matters that they may require counsel on. The conversion from part to full-time drivers would alleviate the retention issues that they are facing (Interview with Trails East Tours Former Chief of Staff, 2022).

The longer-term actions that should be taken are increasing the fleet size of the charter coach buses and absorbing district-owned fleets while being more aggressive in seeking new school district contracts. Of major import is the lobbying the local and federal government for funding regarding the higher costs that are going to be incurred by increased emissions controls and going electric. The increase of the coach bus fleet size is because there are constantly contracts that are dropped by both Trails East Tours and their competitors simply due to all of them

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not having enough buses to provide requested services. Some contracts have allowed for the substitution of school buses for regular buses, but this is the exception and not the rule. Procurement of just a handful of new coach buses would lead to increased revenue because the demand is there while the supply is not. Concerning absorbing district-owned school bus fleets, it is even more difficult for the firmto maintain a stable of drivers. By absorbing part or all of these schools' fleets, and lobbying for the contract to drive for these schools, they could enable the school to no longer worry about employing drivers or maintaining a fleet of vehicles (Interview with Trails East Tours Former Chief of Staff, 2022).

A nonmarket action that should be startedASAP is in lobbying the local and federal government for funding regarding the increased emission controls on their fleets. If the plan is for schools to only employ electric vehicles in the future, the funding has to be supplemented by the government or the privately owned transportation services are simply not going to be able to acquire a fleet without going into massive debt to do so. The other implication of requiring electric vehicles is the necessary creation of new charging grids to be created in order to serve the massive lots used to store the vehicles. Discussions for plans with the local government need to start now, with the outlook of numerous vehicles starting to be serviced in the next 1-5 years (Zambito, 2022).

6.1 Vital Initial Actions

The most important action that needs to be taken by Trails East Tours now is an organizational restructuringwith a focus on putting power into the hands of those with the operational experience to forecast, plan for, and implement actions necessary for the success of the firm. The reactive nature of the owners/senior management team and their failure to evaluate the external environment and calculate the best course of action going forward will only compound their difficulties, as future legislation requires heftier investments of money and time to make their fleet greener. This external action needs to be combined with reducing the turnover rate by making their drivers full-time employees. Top management also needs to loosen their hold on the reins of their firms' operations and trust in their junior managers who have between 10-20 years of experience in the industry. (Interview with Trails East Tours Former Chief of Staff, 2022).

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