

CSX Corporation - Intermodal Growth and Service

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Topic: Customer Strategy, Pricing Strategy, Growth Strategy

Industry: Rail Transportation

Source: Strategy & Finance

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Decision date and information cutoff: March 1, 2024

Decision scope: How to pursue intermodal growth while protecting service and yield

Case convention: This is a hypothetical strategy exercise. The disclosed company facts are historical; no private deliberations or formal assignment are represented.

The decision

For this exercise, assume you are advising CSX's intermodal commercial team at a hypothetical 2024 strategy review. The group must decide how to respond to a mixed demand picture: seek incremental units through targeted customer or lane offers, emphasize yield and service reliability over volume, or stage offers and expand only when customer conversion and operating results support them.

The decision is not whether to make a disclosed investment or to follow an announced promotion; CSX reported no such intermodal program or budget. Your task is to recommend a sequence and identify what evidence should govern any further action. The information set closes on March 1, 2024.

A network business with different freight lines

CSX Transportation operates an approximately 20,000-route-mile network serving 26 states east of the Mississippi, the District of Columbia, and Ontario and Quebec. It connects with more than 240 short-line and regional railroads and has access to over 70 ports. CSX says its scheduled service model is intended to improve customer service, optimize assets and increase employee engagement. The company says effective execution can support market share, lower costs and free cash flow. [P1]

In 2023, intermodal accounted for 45% of CSX's reported volume but 14% of revenue. It carried 2.766 million intermodal units and generated \$2.060 billion in revenue. Merchandise accounted for 43% of volume and 59% of revenue; coal represented 12% of volume and 17% of revenue. CSX also reported \$882 million in trucking revenue. These business lines use different volume units and have different customer and demand drivers. [P1]

CSX describes intermodal as combining rail transportation with truck flexibility. Its approximately 30 terminals serve major markets east of the Mississippi and mainly move manufactured consumer goods in containers. CSX characterizes the service as truck-like for longer shipments. [P1]

A mixed year for intermodal

CSX's 2023 intermodal units fell 7% from 2022, revenue fell 11%, and reported revenue per unit fell 4%. Merchandise volume increased 2% and revenue rose 5%. Total company revenue declined 1% to \$14.657 billion; its operating ratio increased to 62.1% from 59.5%. Reported revenue per unit includes rate, fuel surcharge and mix effects; it is not a pure price measure. [P1]

Management attributed lower intermodal volume to fewer international shipments amid high inventory levels and lower imports. Domestic intermodal shipments increased with key customers and compared with a prior year affected by supply-side constraints. Company-wide revenue declines from lower intermodal volume, fuel recovery and export-coal benchmark prices were partly offset by merchandise pricing and volume gains and higher coal volume. These are management explanations, not isolated causal findings. [P1]

The fourth quarter offered a different snapshot: total volume was 1% higher than the prior-year quarter, with merchandise and coal each up 3% and intermodal flat. CEO Joe Hinrichs said CSX looked forward to "profitable growth" in 2024. The statement described a broad company aspiration, not a specific intermodal target or offer. [P2]

Competition and uncertainty

CSX says shippers choose providers based on the combination of price and service, with requirements varying by shipper and commodity. It identifies Norfolk Southern as its primary rail competitor and also names motor carriers competing on some routes. [P1]

Norfolk Southern's 2023 filing reported intermodal units down 2%, revenue down 16% and revenue per unit down 14%. Its domestic units declined 8% while international units increased 8%. NS attributed domestic weakness to reduced consumption, high inventories and truck competition; it attributed international growth partly to ocean carriers favoring inland-point traffic. Its network and reported unit mix differ from CSX, so these figures do not establish relative performance or market share. They offer a second railroad's account of the demand environment. [P3]

The public disclosures leave essential questions unanswered. They do not show which CSX lanes have available terminal or line-haul capacity, which customers might respond to a different offer, or what revenue and avoidable costs an incremental unit would bring. They do not provide lane-level reliability, customer conversion, price elasticity or contribution margins.

Options to assess

1. **Seek selective volume:** offer customer- or lane-specific terms where CSX believes additional units could fit the existing network.
2. **Protect yield and service:** focus on reliable execution and pricing discipline while allowing demand to recover without broad volume incentives.
3. **Stage and measure:** run limited offers or service changes, then expand only when results meet explicit commercial and operating criteria.

These are hypothetical alternatives. Do not assume CSX has approved an offer, has spare capacity, or has a particular capital pool available. Explain the strongest argument against the sequence you choose.

Decision prompt

What should CSX do first to pursue profitable intermodal growth? Identify the evidence you would request before expanding an offer, and specify what customer, contribution and service measures would lead you to scale, pause or stop. Separate reported facts from management explanations and your assumptions. Do not calculate an ROI without clearly labeled hypothetical inputs.

Source key

- **[P1]** CSX FY2023 Form 10-K, filed Feb. 14, 2024: Item 1, printed pp. 3-5 and 16-17; Item 7, printed pp. 28-32, especially p. 29 table and p. 30 discussion. [SEC filing](#)
- **[P2]** CSX, “CSX Corp. Announces Fourth Quarter and Full Year 2023 Results,” Jan. 24, 2024, opening and full-year highlights. [Issuer release](#)
- **[P3]** Norfolk Southern FY2023 Form 10-K, filed Feb. 5, 2024: Item 7, printed pp. 26-28, intermodal table and market discussion. [SEC filing](#)

All information is limited to the cutoff. Competitor data are contextual and not directly comparable. No later outcomes are included.