

Fedex marketing case essay sample

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Company analysis – Does Courier Pak (CP) make sense for Fed Ex FedEx's new product Courier Pak makes sense because of its' high profit margin and potential to generate new volume. Out of the 3 services that Fed Ex provides, CP yields the highest profit margin at 66% while Priority-One is at 55% and SAS is only at 27%. In addition to this, the company believes that it will be able to boost up sale of CP from 1300 to 6000 packages per day. This shows that CP is the most profitable and huge potential for growth.

Customer analysis – Who needs CP? How large is the market? Is CP an economically viable product? Can FedEx do 6000 CPs a day? If you look at the current market for Special-Handled Packages there is huge potential for FedEx to take market share with CP and reach their goal of 6000 Pieces per day. Two products that are already offered in the market (Airline Over-the-Counter and Skycap and VIP Services) cost more than CP and make up a total of 12, 000 Pieces a day. Looking at the past data, it was mainly the executives or their secretaries who utilized CP rather than shipping managers of the companies. Due to the nature of their needs, they demand fast overnight deliveries to their client instead of the usual routine by going through the shipping department which will slow them down.

Focusing on the demand for special-handling of packages, the review of the potential market was almost 870, 000 pieces a day. It is a huge market of approximately 670 times the size of the current average daily CP volume of around 1, 300 and is still expecting to grow at 20% each year. Using the BCG Matrix, Fed Ex's CP is currently in the question mark zone where it is a low-share business product in a high-growth market. With a huge market to capitalize on, Fed Ex needs to prioritize its resources on CP to make it into a

Star product. Especially since this is an unrealized and unexplored market, Fed Ex has the potential to make CP into a niche product. Heinz Adam's goal is to increase average daily CP from 1,300 to 6,000. Fed Ex is definitely capable of handling the additional 4,700 CP daily with the average flight loaded to 85% of volume capacity. Due to the fact that carrying capacity of the Falcons usually reached its maximum volume before it reached the maximum load allowance, CP is definitely the solution to balance this volume to weight ratio.

With the estimation that 10-lb cargo took up about one cubic foot of space, CP's volume is about 0.1 cubic foot while SAS and P1 is around 1.4 cubic foot. The average daily package volume for the week ended 5/7 for both SAS and P1 is 19,422 while CP is 1,304. This yielded a total of 27,321.2 cubic feet which accounts for 85% of volume capacity. At 100% volume capacity will be approximately 32,142 cubic feet which allows additional 48,208 CP. This shows that it is definitely viable for Fed Ex to hit the goal of 6,000 CP a day without going over its maximum volume capacity. Competition - What is the competition for CP?

There is intense competition for the Fed Ex Courier Pack in the package delivery market. Airlines by providing same day package service delivery are strongly represented in this market. The strongest competition for CP would be the in the overnight delivery sector which are mainly the air freight forwarders particularly, Emery who is a huge player in this segment of the market. How should Fed Ex market CP? Which industries should Fed Ex focus on? In order to find a right marketing strategy for this product, the firm

should do SWOT analysis. These tests will let us know what kind of target market suits the product and hence how Fed Ex should market CP. The firm believes that with a good marketing operation, it will be able to boost sales to 6, 000 up from 1, 300 per day. It is apparent that our strength is that CP has high demand among businesses and coupled with a 93% overnight delivery, it is unparalleled in this segment of market. On the other hand, weakness of CP would be the size limitation of 12" by 15. 5" and weight limit of 2-lb per package.

However as CP is targeted at documents and small valuable items, this is the perfect size for such items. For customers wanting to deliver bigger packages, they can always choose Priority-One. The last two analyses are opportunity and threats. We should consider the opportunity that we could exploit to our advantage, which is competition. Our objective value is high among consumers because we provided reliable timely shipping services that none of our competitors could provide. Our opportunity is that we could even charge higher price for this product and it would still have the same high demand. Lastly, our only threat is how to compete with our competitors. Fedex's major competitor is Emery Air (61% unprompted recall for Emery against 12% for Fedex) Although Courier Pak has not been produced by other delivery service firms, we should increase our brand loyalty in order to boost our demand and sales. Therefore, we should consider all these four elements when choosing the right marketing strategies for Courier Pak. First and foremost, since most shipping managers are not willing to take the risk of using shipment method out of shipping list, Fed Ex has to capture this particular group of consumer.

Since reliability is a main concern in this particular sector, Fed Ex needs to capitalize on its reliability of 93% overnight delivery as opposed to its main competitor, Emery. Furthermore, Fed Ex should promote CP's unique shipping method, waterproof and tear proof envelope. Through aggressive advertising of the two strengths of CP, Fed Ex will be able to create awareness that they have the best service. They should include a comprehensive advertising campaign from magazine, newspaper to radio and television in order to capture the consumer's attention. How should Fed Ex price, promote and distribute CP? Is \$12.50 the right price? One of the main concerns would be that CP envelopes come in package of 5 which reduces flexibility for consumers. For those who are cost-conscious or those who do not need overnight delivery that often, they will not choose to spend \$62.50 in one go just for a once in a while service. Hence, Fed Ex should do away with the 5 CP envelopes and instead provide the service priced at \$12.50 without selling the envelopes individually or to price the 5 CP envelopes in a package at \$50 to create loyalty among its customers. Looking at the potential market, the majority of consumers are utilizing USPS services which are only priced at \$3 or less depending on the time allowance.

As such to capture this segment of market share, pricing the set of 5 envelopes at \$50 is just right. In term about the distribution, knowing that over 80% of air, urgent shipment originated and terminated outside the 25 top markets, thus FedEx has to make sure that CP is well distributed in those areas outside the top markets. If the company wants to do a media campaign for CP that will cost \$1 million. Is it worth doing it? At a profit margin of 66%, each CP will yield Fed Ex a profit of \$8.25. Increasing its

sales target to 6, 000 a day, Fed Ex will be able to earn an additional profit of \$38, 775 a day. \$1 million media campaign will require a breakeven duration of 26days which is slightly less than a month. Compared to the long term benefits that the media campaign can bring about for Fed Ex and the high potential growth beyond 6, 000 CP a day, it is definitely worth investing \$1 million in the media campaign.