

Business to business marketing

[Business](#), [Marketing](#)



Introduction

This paper is based on business to business marketing and this paper is based on 4 courier services FedEx, UPS, TNT and DHL. The paper is going to start with by finding out what is going on within each of the organizations and how each organization compares with the others, who owns each of these organizations, what is their relative market share do they work in the same market, see their financial performances over the last few years, what strategies they have applied to enter new markets, and find out if there have been any recent mergers or takeovers in the company. It is going to be followed by a comparison between 2 companies to find out their competitive advantage over one another, to discuss advantages and disadvantages of how the two organizations segment their B2B market.

It is general familiarity that DHL and TNT have a strong foothold in the US market, the land and air dominance is in the hands of UPS and FedEx in that order. Even though both companies offer comparable services both of them have complete opposite business philosophies. All the above businesses are trying to achieve worldwide supremacy as far as the Logistics Market is concerned, however in the last decade or so these companies are struggling and this effort has strengthened by a continuous flow of acquisitions.

For instance, Deutsche Post World Net (DPWN), the parent company of DHL, has acquired additional 50 companies which are mainly situated in Europe. Another example would be that UPS from the time when it went Public is trying to quickly fill out its excess Air Express capacity; FedEx copied this act by buying ground transportation brand names. These companies are working

at break neck speed to expand and determine so that they are able to serve the whole supply chain alongside the most significant trade routes.

It must be remembered that all these four organizations are in the same business that is the courier service and all of them are competitors to one another, and they are in the same markets as well, their customers are the same as well.

FedEx

FedEx (Federal Express) Corporation is a public company it was created FDX Corporation in January 1998, when it acquired the Caliber System Inc. When FedEx purchased Caliber it started off by offering other services along with express shipping, since Caliber has other subsidiaries the FDX Corporation had to oversee these operations as well, these subsidiaries incorporated RPS, a small package land service; Viking Freight a local but less-than-truckload freight carrier (which provide services to western part of United States);

Roberts Express, an advanced, shipping provider; Caribbean Transportation Services that provides services of airfreight forwarding (connecting United States and Caribbean), and lastly Caliber Logistics and Caliber Technology used to provides services of logistics and technology solutions to the company and which are now overlooked by the FDX corporation. The FDX Corporation has to over look their operations (that is the original air division, Federal Express) as well along to those of the Caliber. The company employs somewhere around 252, 000 people. The major competitors of the FedEx Corporation are DHL, TNT and UPS. (FedEx, 2009)

FDX Corporation decided to change its name to FedEx Corporation in the year 2000 and it decided to re-brand every one of its subsidiaries also. Federal Express was rebranded by the name of FedEx Express, RPS as FedEx Ground, Roberts Express was given the name FedEx Custom Critical, and Caliber Logistics and Caliber Technology were combined as one and it was rebranded as FedEx Global Logistics. The company decided to launch a new subsidiary called the FedEx Corporate Services (the services it performs are centralizing the sales of the company, marketing, and customer services) but for all of the subsidiaries of FedEx Corporation. Other acquisitions of the company are as follows:-

- In February 2000, FedEx purchased Tower Group International (a global logistic company) along with World Tariff (which is a customs duty and tax information firm) and both were combined together to form FedEx Trade Networks.
- In 2004 FedEx Corporation bought Kinko's Inc. which was privately company, and it was rebranded as FedEx Kinko's. This helped the company to expand itself and enter a new market (that is the general public). After this purchase the company was now able to provide FedEx shipping in all FedEx Kinko's locations. It was decided to drop the Kinko's name altogether in 2008, and it was changed to FedEx Office.
- Parcel Direct was purchased and rebranded as FedEx SmartPost in 2004
- In 2007 FedEx acquired DTW Group and PAFEX

- In 2008 it was rumored that FedEx plans to purchase TNT, but it is not so. (FedEx, 2009)

UPS

UPS is the abbreviation of United Parcel Service, Inc. which is a publicly owned company; it is considered to be the world's largest package delivery service. The company delivers more than 150 million packages a day in more than 200 countries around the globe and it caters to approximately 6.1 million people around the world as well. From the year 2005 the company has included logistics and other transportation-related areas in its operations as well. The major competitors of United Parcel Service (UPS) are FedEx, DHL, and TNT. (UPS, 2009)

The company was founded in 1907 as the American Messenger Company, in 1914 the company was merged with Evert McCabe (who was a competitor), and they formed the Merchants Parcel Delivery and in 1919 the company decided to rebrand its name and call themselves United Parcel Service (UPS). The company decided to expand their services in 1949 and they did just that by purchasing the rights to common carrier. Blue Label Air was created in 1952, which helped the company a great deal to deliver its packages to its customers. The company then decided to expand its service in Europe and by 1976 it was able to do with the help of Blue Label Air. In 1988 the company launches its own airline (that is UPS Airlines). In 1999 the company decided to go public. (UPS, 2009)

UPS entered a new market in 2004 that is the heavy freight business and then went along by purchasing the Menlo Worldwide Forwarding (which is a

former subsidiary of Menlo Worldwide), then announced that it is going to rebrand it by calling it the UPS Supply Chain Solutions. Other acquisitions of the company are as follows:-

- In the year 2005 the company completed its acquisition of less – than – truckload (LTL) trucking a company called the Overnite Transportation. The acquisition cost UPS an amount of \$1. 25 billion. And by 2006 the company decided to rebrand Overnite Transportation and call it the UPS Freight.
- LYNX Express Ltd. (which is an independent parcel carrier in the United Kingdom) was purchased by UPS in the year 2005; the acquisition of the company cost UPS an amount of \$97. 1 million. With the help of this purchase the company was able to expand its services in UK as well along with a joint package car centre operation in 2006 it was able to expand even more.
- United Parcel Service (UPS) celebrated its 100th anniversary in 2007.

Metrics by Segment(in
\$millions)

	Sales	Share	Oper Income	Share
United States Domestic Packages	7, 988	62. 9%	932	116. 0%
Worldwide Packages	2, 637	20. 8%	366	45. 5%

Supply Chain ; Freight	2, 072	16. 3% (495)	(61. 6%)
Total	12, 697 ;	803	;

TNT

TNT N. V. is an international express and mail delivery service company from Netherlands. TNT operates as the national postal service under TNT Post in Netherlands. The company is a public company. The company provides its postal services to eight other European countries as well, in which UK, Germany, Italy and Belgium are also included. In 2008 the mail division of the company recorded a sale of €4. 2 billion and the express division of the company recorded a sale of over €6. 6 billion, this is it increased by 1. 6% from the previous year. In 2008 the company reported revenue of €11. 1 billion and operating income of 982 million. TNT employs more than 163, 000 people. The major competitors of TNT are FedEx, DHL and UPS. The aircraft of TNT operates under the code of IATA code of TAY (that is TNT Airways). (TNT, 2008)

TNT express which is a delivery express service, which operates in 65 countries and delivers documents and parcel over 200 countries. In 2006 the company sold its logistics unit, so that they could focus on other activities like networking, mail and delivery services. The company over the last few years has acquired some road freight companies from China, India and Brazil; it helped the company to expand itself overseas. TNT has been

expanding its services and operations in Middle East as well as in South America. Other acquisitions of the company are as follows:-

- In 1992 the Canadian post office and the Consortium of the European post offices were purchased by TNT.
- The Royal PTT Nederland called KPN took over TNT (but it was a friendly takeover) in the year 1996.
- In 1998 the postal division of TNT was demerged from KPN and it became TGP. TGP then purchased Jet Services of France and integrated it with TNT's European operations.
- From 1999 to 2005 the company TGP moved into the logistic market and bought a great deal of logistics companies all over the globe.
- In 2006 TNT decided to resale its logistics to division to a company called Apollo Management. (TNT, 2008)

DHL

In 1969 DHL was founded by Adrian Dalsey, Larry Hillblom and Robert Lynn, therefore DHL is the abbreviation Dalsey, Hillblom and Lynn. They started out with by providing a courier service, but it was between the Continental United States and Hawaii. The company then decided to expand its services and business from there. Deutsche Post in the year 1998 began to acquire shares in DHL, and by 2001 they had reached the majority of the ownership and by the 2002 Deutsche Post has purchased the entire company. Deutsche Post started to absorb DHL in its personal Express partition, because of that the company grew with the assistance of DHL (that is expanding DHL brand to other Deutsche Post divisions, business units and as well as subsidiaries).

Today, the DHL Express shares with other Deutsche Post business its DHL brands like DHL Global Forwarding & Freight and as well as DHL Supply Chain. The different products that are provided by the company are DHL Express Worldwide, DHL Express 9: 00 and DHL Express 12: 00. The company employs somewhere around 285, 000 people. The company has an annual sale of \$65 billion in annual sales. The major competitors of the DHL are FedEx, TNT and UPS. In the beginning of 2009 DHL decided to end its domestic delivery service in US, this meant UPS and FedEx were now the only two chief express parcel delivery service businesses in the US. Deutsche Post acquired Airborne Express and began to combine its business doings with DHL in 2003. (DHL, 2009)

Other acquisitions of the company are as follows:-

- DHL Express in 2004 decided to invests €120 million in an Indian domestic courier Blue Dart and became the majority shareholder in that company
- Deutsche Post in 2005 acquired Exel plc completely and started to integrate Exel operations into its own Logistics division, the company also decided to add its well known DHL brand, which was purchased from DHL Express and decided to form DHL Exel Supply Chain. (DHL, 2009)

Market Share

Market share is the company's sales divided by the total sales of each and every company which is in the business of a specific product market. The market share can be calculated on the company's actual sales or even the

sales that have been forecasted by the management of the company. The market share is mostly used by the company's management to foretell about the future sales and it also compares the company's product with other same competing products, in other words it tells about the market position of the product. It also may vary depending on the unit sales to price differences across competitors. As we know that companies do not reveal how that company is doing regarding its major competitors. Therefore the management of the company needs to track down its market share within the industry. (Kotler, 1997)

The market share of these companies in United States is as follows:-

United States

UPS	48%
Other	23%
FedEx	22%
DHL	7%

The market share of these companies in international market is as follows:-

International Market

DHL	23%
TNT	11%

UPS	10%
FedEx	7%
Other	49%

Q1) Choose any 2 of the following organizations and use examples to explain what it is that gives them their competitive advantage

The companies that I have chosen for this comparison between the two companies are FedEx and UPS, both of the companies are operating in the United States and both of them are in the same service that is delivering packages and postal. UPS and FedEx are primary competitors of one another, for example, FedEx had \$35. 21 billion revenue, whereas UPS had \$49. 59 billion revenue in 2007.

FedEx

FedEx has 22% of the market share in the United States; the company needs to remain one of the major companies that deliver packages in that area, and to do that it needs to have some competitive advantage over its competitors like UPS.

- One of the ways that the company can gain competitive advantage is with the help of foreign trade, why, because in the last few years the company's annual growth has increased by 14% and with the purchase of DTW Group and PAFEX in china the company will be able to gain a competitive advantage over its competitors.

- Another competitive advantage FedEx can have over its competitors is by expanding its Freight, by doing that the company will be provided by immediate increase in the revenue and it will stimulate regional freight businesses as well. For example, it can be done with the acquisition of Watkins.
- Online retailing is also one of those things which will help FedEx have a competitive edge over its competitors. With the help of internet the company will be able to save time and cost and will be able to perform better. (FedEx, 2009)

UPS

UPS has 48% of the market share in the United States; the company needs to remain one of the major companies that deliver packages in that area, and to do that it needs to have some competitive advantage over its competitors like FedEx.

- With the help of global sourcing the company will be able to get a competitive advantage over its competitors. The outsourcing supply chain management is considered a benefit for UPS, why, because, it will help to capitalize the company in the market with the projected increase (that is increase in the delivery service). And if the company builds a global capacity, the company will surely become the market leader in US and as well as in International Markets.
- If UPS is able to capture the Express business in the US, it will be able to gain an advantage over FedEx. It is common awareness that UPS has 36% market share in the express market, whereas FedEx has 49%.

- By the execution of technology in their processes the company will attain an added advantage. (UPS, 2009)

Q2) Choose any 2 of following organizations and discuss the advantages and disadvantages of how the 2 organization segment their B2B market.

The companies that I have chosen for this comparison between the two companies are FedEx and UPS, both of the companies are operating in the United States and both of them are in the same service that is delivering packages and postal.

FedEx

Advantages

- With the help of B2B market, FedEx has made sure that the customers are aware of the company's services in US and well in UK.
- The company has used viral marketing to promote its US next day delivery service, which is plus advantage for the company.
- With the help of internet technology the company is able to advertise about itself anywhere on the globe, plus it is quite cheap, it saves time and money of FedEx. (FedEx, 2009)

Disadvantages

- Disadvantage for FedEx due to B2B marketing on the web can create security concerns, it will become easy for the other competitive companies to gain access to the company's private information (FedEx, 2009)

UPS

Advantages

- With the help of B2B marketing the customers will become aware of the company, and the company will be able to communicate more efficiently with their target audience.
- It will save time and cost for the company
- With the help of B2B marketing UPS will be able to grow, the company's capacity to produce services will increase and the company will be able to expand itself in global markets and will be able to diversify as well. (UPS, 2009)

Disadvantages

- The disadvantage of B2B marketing for the company would be that it will become hard for the company to keep a thorough check on the electronic payments to make sure that it is secure, as the company expands itself. (UPS, 2009)

Q3a) Why is DHL retreating from the US market?

DHL is retreating from US because Deutsche Post expects that DHL express operation in the US is going to lose \$1.5 billion because last year the company had a loss \$1 billion last year. And another reason is that the company's major customers and clients have been taking their business to their competitors and the company is losing money because of that as well and it will not be able to survive if this keeps on happening. Another reason for the company to be retreating is that due to the financial crisis there has been a decrease in the freight-delivery industry (that is railroads, trucking

and ocean shipping), and because that DHL has become another victim of this crisis. (Dade, Roth & Esterl, 2008)

Q3b) What effect might this have on FedEx, UPS and TNT?

The effect of this retreat on FedEx, UPS and TNT is that they are competing against one another to gain the market, which is being left behind DHL. And to these companies the retreat of DHL from US is good news; and companies like FedEx and UPS have been wooing DHL's customers in the past few months since the announcement by DHL. Walgreen Co., the Deerfield, Ill is one of the major clients of DHL and FedEx and UPS have been wooing it persistently, so that they are able to capture the market which has fallen due to the crisis. (Hannon, 2009)

Q4) Explain and critically discuss the advantages to TNT in the UK B2B logistics market if their bid for a part of Royal Mail succeeds?

TNT has been widely tipped as being the preferred company to acquire a large portion of the UK's Royal Mail if the intended privatization of Royal Mail goes ahead. And if the bid for the part of Royal Mail succeeds then there would be numerous advantages for TNT. Some of these advantages are as follows:-

- It would have been able to provide advancing in liberalization by forcing the incumbent which in the end is going to provide an access to UK network for TNT
- The company will be able to expand its business and operations and will be able to enter a new market entirely

- The company would have increased its market share in Europe, and will be able to grow and have new opportunities to peruse
- It would have been the best strategic move of the company. (Hawkes, 2007)

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