

Fedex report essay sample

[Business](#), [Company](#)



FedEx Corporation provides a wide range of transportation, e-commerce, overnight courier services, and business support services. It is one of the largest express transportation companies in the world. FedEx services throughout the world in 220 countries. The company consists of four segments: FedEx Express, FedEx Ground, FedEx Freight, and FedEx Services. These four segments compete in collaboration and cooperation under the FedEx brand name but operate relatively independently with each other (Amsler et al. 2010). 1. 0 Measurements of success

There is a variety of criteria that can measure whether a company is successful. The organisation's success can be measured by criteria such as growth of sales, market share, customer satisfaction and profitability etc...

FedEx can be seen as successful in revenue because it increased from \$22.49 billion in 2003 to \$39.3 billion in 2011. (seekingalpha. com)

Figure1

Source: seekingalpha. com

Customer satisfaction is an important measure of a company's success. FedEx Corporation has ranked number one in express delivery among 81 companies (FedEx, 2009). Customers are very satisfied with the products and services of FedEx.

The financial situation of FedEx Corporation has total assets of \$22,690 billion which is growing 11% more than previous year in 2006 (FedEx Annual Report 2006). The growth rate of total assets in the financial years from 2006 to 2010 were 11%, 5%, 7%, -5% and 3% respectively. The drop in 2009

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was because of the global economy recession (FedEx Annual Report from 2006 to 2010). A strong financial position gives a strong backup for their business position in the market. FedEx has gained a 6-year compounded annual growth (CAGR) of 5.0% (see Figure 2).

Figure 2:

The size of FedEx also can be seen as an important measure of its success. It has more than 280,000 workforce worldwide, as well as 375 airports, 684 aircrafts served worldwide and more than 80,000 vehicles and is pervasive in more than 220 countries in the world (FedEx, 2013). Market share is another important factor for FedEx's success. FedEx is a leader in the U.S. express delivery industry and it owns a large market share. (Brooks, 2000)

2.0 Reasons underpinning FedEx Corporation's success

2.1 Strong Brand Image

The allaboutbranding.com states " FedEx is a great brand. Great brands provide a source of identification. These brands differentiate great brands and cement their leadership credential assurance of quality". A strong brand image can be deemed as FedEx's top advantage, and it is the most recognised brand name in the global express services compared with its competitors. The employee acts as a bridge between an organisation and its customers. The stable relationship and customer loyalty are linked with the brand image (WordPress, 2010).

2.2 Employee Service and Customer-oriented

The good service of the employees helps the customer to know more about the brand (McGrath, M., 2014). FedEx earns the respect and confidence of their customers daily because they put their customers' needs in the first place. At the beginning of shipment, customers could find information for every different type of shipment step-by-step. Customers can track their package at anytime and anywhere. FedEx also promises to deliver on time or guarantee to give their money back.

2. 3 The innovation technology

The innovative technology is one of the reasons for FedEx Corporation's success. FedEx Corporation established the first website with a tracking application which enables the customers to search and find information so that they can quickly order the pick-up service on the Internet at anytime and anywhere. (Farhoomand & Ng & Conley, 2003 Another innovation technology is its wireless solutions which offer a unique barcode for customers to track their package from dispatch to destination at anytime and anywhere (About FedEx Wireless Solutions). In addition, FedEx Corporation has cooperated with the University of Memphis, establishing their technology department which can help them own the latest and advanced technologies, invented for the future.

2. 4 Innovative Culture

FedEx is based upon innovation, and it exactly is one of the important reason for the successful of the FedEx culture and business strategy. FedEx launched a new service which is the next business day delivery service. A quote from Fred Smith whose the president of FedEx “ The information about the package is just as important as the package itself”. The innovative culture within FedEx is deemed as a distinct competitive advantage in terms

of the strategic business practices that are continuously encouraged. 2. 5

Strong Infrastructure

Another business reason behind the FedEx Corporation's success is its own strong infrastructure. FedEx Corporation's success largely relies on a large fleet of automobiles and employees, which consists of a strong infrastructure. It owns more than 280, 000 workforce worldwide, as well as 375 airports, 684 aircrafts served worldwide and more than 80, 000 vehicles and is pervasive in more than 220 countries in the world (Jack W. Plunkett 2007). They guarantee their package delivery is arrived on time as the customer demands. 2. 6 Large customer base and customer loyalty

The advanced technology gives the support of package tracking information for customers. From the customer perspective, the FedEx Corporation is differentiated in that the customers would pay more for its higher quality services. So compared to other competitors, FedEx finds it easier to create a customer base and loyalty. They provide a superior customer service compared to its competitors, offering a money back guarantee and collecting the packages from the client's house.

3. 0 Strategy Capability

3. 1 Value chain

Value chain describes the different activities that can produce a product and service within a company (Johnson, G at el. 2011). This part will identify organisational capabilities based upon the value chain analysis. Porter (1985) thinks that the value chain within an organisation can be divided into two major business categories: primary activities and support activities.

Figure 3. The Value Chain

Source: Porter(1985)

FedEx is a leader in their transportation industry. Inbound logistic as one of FedEx's primary activities is the processing of receiving the product or service, such as the pick up of the package from the customer. Value added for the customers can make the package collection possible at anytime and anywhere. Expanding the range of business in order to expand the market share (Lai et al., 2008).

The operations of the primary activities are to transform these receiving into the final service. When FedEx collects the package, they will transport it to a hub until it is ready to be delivered by the airplane or truck. The cost of operation increased because of rising fuel prices (Wadewitz, Johnson & Weinz, 2008).

The outbound logistics of primary activities are to distribute the products. The competitive advantage of FedEx is having innovative information and a strong infrastructure. FedEx Corporation owns strong and stable teams operating the critical factors of the value chain and the relative departments (Latinamericanlogistics. org, 2009). As we all know, FedEx delivers their innovative value to their customers. The market is trying to let brand image be identified and make customers feel satisfied with the product service (Smith & Colgate, 2007).

As one of the primary activities, the customer service of FedEx Corporation can create more value. FedEx not only provides the customer service during

the delivery, but also offers an after sales service that they can check their package at any given time. FedEx is currently focused on customer service. However, this customer service aspect of the business model could change (Green & Longson, 2008). FedEx depends on improving services to keep the long-term relationship with customers.

The infrastructure is the key factor of support activities. All this delivery process are supported by the company infrastructure, which are the vehicles, airplanes, trucks, etc. The infrastructure enables FedEx to guarantee their overnight delivery service. For other companies, they build a contract with third parties to buy their space on a commercial aircraft. FedEx relies on developing their own large fleet. This strategy effectively reduces the cost of business expense and increases the speed of delivery to guarantee the overnight delivery service. In terms of procurement, FedEx recently stated to have purchase aircrafts from Rolls-Royce (Armitage, Fornaro & Crispin, 2008).

FedEx Corporation uses the best technology which can possess a higher market share, and this can be seen as a competitive advantage (Johnson, 2005). This can also make money to run a business well for the company. Customers can track the whole delivery process and even identify the person who signed for it in the transit station. It has created added value for the customer that increases the customer base and loyalty. The development of information technology is for meeting the customer's demands (Bhattacharya, 2006). This strategy became the competitive advantage which they used to compete with their competitors.

Prahalad stated that the human resource management is the core competencies which can give a company sustainable competitive advantage (Prahalad, Hamel 1990). With the best human resource management system in the corporate, FedEx has an active strategic procurement optimisation priority which produce a saving beyond millions of dollars. This strategy is also adopted by other companies of the industry. One of the main competencies of FedEx is the empowerment of the workforce which can lead to organisational behaviour among the workforces (Schindehutte, Morris & Kocak, 2008). 3. 2 VRIN framework

Next we will evaluate the strategic capability through analysing VRIN framework (Barney, 1991). Value, rarity, inimitability and non-substitutability are very close to an organisation's competitive advantage (Jugdvet al. 2006). This framework illustrates the strategic capabilities of FedEx. Capabilities can reflect an organisation's ability to use resources to develop the sustainable core competencies (Teece et al., 1997). 3. 2. 1 Value:

In the value chain analysis, we also mentioned that the value of FedEx is created for customers, through meeting customers' requirements by picking up packages from a convenient place. FedEx launched the service which guarantees money back if the package arrives late. The good service of FedEx employees provides the potential competitive advantage, this also increases the customer's loyalty. The corporate strategy " People, Service, Profit" means that customers loyalty derives from the satisfaction of employees (Barney, Wright, 1997). It can also result in a profitable business. FedEx continues to rank highest in customer satisfaction among the express

delivery companies. Technological growth is a major measure for FedEx, as it adds value due to it being able to cut costs and create competitive benefits.

3. 2. 2 Rarity:

Rarity means the capability of FedEx Corporation that are owned uniquely by themselves or by a few others (Johnson et al. 2011). It owns a unique 360 degree human resource management which is very rare for its competitors (<http://www.latinamericanlogistics.org/articles/ups-fedex-dhl-tnt—who-will-dominate-the-world-of-logistics.htm>). FedEx depends on employee empowerment to meet the customer's requirements (Kandula, 2004). Employee empowerment is the most effective way to gain competitive advantage over competitors.

Early in the business, FedEx realised the importance of how information technology will improve their quality of service (Bhattacharya, 2006). FedEx is the first company to apply the technology which can track packages on the Internet to each shipment. 3. 2. 3 Inimitability:

FedEx Corporation's innovation can be seen as an inimitable capability which competitors find hard to imitate or obtain (Priem & Butler 2001). The brand equity of FedEx is hard to imitate. FedEx built mutually rewarding relationships with their employees.

FedEx possesses a fleet of aircraft and has a strong infrastructure to support it is developing, this capability costs too much to imitate. FedEx has a strong infrastructure which business range more than 220 countries and own approximately 280, 000 employees, 75, 000 vehicles in the world that the

competitors do not possess (Jack W. Plunkett 2007). It also ranked the world's largest express delivery company. Furthermore, it owns 30 percent of market share for overnight package service. 3. 2. 4Non-substitutability:

FedEx Corporation Company have strong leadership that the application of advanced technology above all others. The supply chain management is also non-substitute. Delivery speed of FedEx cannot be substituted, its operate over-night delivery which its very fast can arrive the dertermination. In addition, the good reputation of FedEx cannot be sustitued because it's the customer's feeling about this brand.

FedEx's competitive advantage is based on taking advantage of their strong resource and creating resources to develop its business. Analysis of the capabilities and resources are significant to identify strategic capabilities of the company. Through analysing the value chain and evaluating the VRIN framework, we can conclude that the core competitive advantage is a strong infrastructure, employee empowerment, technology and innovation. All these competitive advantages will be built through the strategic capabilities of the company (David Boddy). 4. 0 International Strategy

International strategy can be divided into four strategy: multidomestic strategy, international strategy, transnational strategy and global strategy. Global strategy is involves high coordination of expansion activities spread in many countries in the world.(Johnson et al. 2011) Global business service allows FedEx to have a strong customer base in order to become globally successful. As the e-commerce and business are growing rapidly worldwide, almost everyone needs an express service of some sort. FedEx purses the

global strategy that providing a high quality of delivery services standardized to customers. FedEx is believed that delivery service do not need to customize because it is doing business with the global standards. FedEx based on cost reduction strategies, they are able to take advantage of their cost advantage for the successful of pricing strategy. FedEx also use their resources to develop its technology instead of customization. In addition, FedEx adapted to low responsiveness demand locations. (Economics and Access, 2012) In review, the FedEx using the global strategy successful because it has global standardized service, low cost structure, and some key locations in around 220 countries.

In addition, to expand the international market for FedEx enables its affected lessly by fluctations economy in the U. S. The volume of domestic express business decreased approxiamatley 3% affected by economic recession, so FedEx's leader are decided to develop its international market (Fabey, 2008)

The international market provides new opportunities to develop its business and service worldwide. U. S is a mature market with its intensive competitive in the domestic and foreign competitors, therefore, in order to keep up with the global market trends its necessary to develop its international trades. FedEx is succeeding in the U. S, so expand to globally will improve profitability and wide range.

FedEx has acquired some transportation companies to expand its services internationally. FedEx has mainly developed the services in key markets in Europe, Latin America and China which will help expand the global market

increases in the logistics industry. There are only a few express delivery companies which offer global delivery services. Furthermore, provides international trade can enlarge the size of organisation due to its established many subsidiaries in foreign market (Ebscohost, 2013)

5. 0 Leadership of FedEx Corporation

5. 1 Leadership

This section will evaluate the contribution of leadership to the success of FedEx. Leadership is really important in creating a profit for a company (Sean Murray, 2009). Leadership can influence a company in its operating business to its success (Johnson et al., 2011).

Frederick W Smith is the president, chairman and CEO of FedEx Corporation. For the past few decades the company is leding by him. And because of his good leardership make the company became one of the top 100 companies in the world (Dumaine, B., 2013). It's really important that an organization have strong leadership(Bass , 2005). FedEx it is one of the few companies in the world who still has strong relations with its founder, Fred Smith is still the CEO of FedEx Corporation. His leadership was known for innovative and result oriented. The leadership of FedEx uses a combination of methodologies to achieve its strategy. Smith believed that reliability, delivery, speed and customer service are the vital success factors. In order to achieve these goals, he decided to invest a large amount of money in information technology. Under this decision, FedEx established the first website for customers to gain information from the Internet at any time.

Innovation is one of the key factors of FedEx's success; it is also one of the qualities in a leader. Leadership emphasis on the individual can affect the innovation of an organisation because the leader of an organisation can make a decision and set missions and goals (Haindl, 2012). Smith highly recommended to expand the business service to globally, so FedEx began its business service in Europe and Asia in 1984. The motivation and empowerment of FedEx employees were very high due to the talent of the employees being recognised and rewarded. Employees of FedEx give much support and confidence to FedEx. (Northouse, 2004).

5. 2 Management:

5. 2. 1 Top Management

The top management of the company is led by offering employees a clear perspective of FedEx's future strategy.(Knudson, 2007). The top managers of FedEx are responsible for setting the mission and goals for the company. The mission set by the top managers of FedEx are providing high service and express delivery which ties in with excellent customer service in worldwide. Top management provides the direction of the strategy in FedEx.

5. 2. 2 Middle Management

Middle managers are the head of each department, and the main responsibility is to supervise the first-line managers. After receiving goals and missions from top managers, the middle managers are to find a measure to use their departmental resources to achieve it.

5. 2. 3 First-line Management

The role of first-line managers is mainly responsible for the daily running of

the business service for FedEx. They play a significant role, as well as to provide training service skills to improve the employees capabilities. First-line managers will supervise the process of services for the customer. Under their management, the employee will provide a good and efficient service to customers.

6. 0 The Difficulties of Remaining Successful

6. 1 External factors

FedEx has many competitors such as UPS (United Parcel Service), DHL (Dalsey, Hillblom and Lynn) International Limited, US Postal Service and so on. They are competitive in price, speed, reliability and innovation service of delivery. Some of these competitors own strong resources, have lower costs and good customer service. The express delivery industry is highly competitive which can influence the growth of the company. The transportation competition is increasing gradually (Robert Malcolm Campbell, 2002). Therefore, if the company failed to launch efficient services to its customers, it will lead to lower profitability.

In the past few years the economic growth rate is very low because of global recession. The growth rate of FedEx fall down to -5% affected by recession. In the future, there still may have some unexpected economic recession in that FedEx need prepare to reduce the loss maximumly.

6. 2 Internal factors

Increasing Transportation Cost

Although FedEx has a strong infrastructure, the transportation costs continue to rise costs, FedEx reported a fourth-quarter loss of \$241 million

compared to the previous year profit of \$610 million. During the financial year in 2008, the operating income dropped 37 percent to \$2.08 billion compared to the previous financial year (FedEx Corporation 2008).

Low share of voice in advertising

From January 2000 to December 2001, the media covered negative reports about FedEx's advertising contents.

Geographic Coverage

Although the business range of FedEx prevails more than 200 countries, there are still have some countries are out of reach.

6.3 Recommendation:

6.3.1 Increasing competition capability:

FedEx should continue to provide a good and efficient service to their customers, and they should keep their costs down in order to compete with other express delivery transportation companies. FedEx should increase the delivery speed using the newest technology. To prevent customers from moving to their competitors, FedEx needs to make their customers feel satisfied and win the customer loyalty. Technology plays a vital role in attracting customers and creating a profit for the company. Although FedEx has a high brand image and brand identity, it is still recommended promoting their brand through sponsorships and taking part in big events.

6.3.2 Employee training and skill development:

The growth and development of the business of an organisation basically depend on its workforce. The training of the employee is the main task and

priority of the company. The training must focus on the development of skills required to perform their jobs good and effectively.

6. 3. 3 Expanding the geographic coverage:

FedEx operates in over than 200 countries, but there are still some countries the company should expand to. This will also increase the size of the company, and it will help to create a monopoly of FedEx all over the world.

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