

Case study: fedex co

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Introduction:

FedEx has emerged as a company that is involved into various shipping regions in different parts of the world and is aggressively pursuing a solid foundation for the future. It has recently added a new hub in the Philippines. FedEx is innovating with the products to match with the needs of customers. FedEx has been successful in providing various features and benefits.

FedEx has added website features that generate unique and customized shipping labels. It has leveraged upon wireless technology by its sophisticated tracking system.

FedEx is a leading global provider of logistics and solutions and is one of those successful companies that have made their way into FORTUNE magazine list of “ Best companies to work for”. It also has won the accolades of “ Largest employer in 2008” and is considered a tycoon of logistics.

FedEx has been able to differentiate its service by leveraging on information. It has enabled the customers to know about the point of origin of product destination, estimated time of arrival, present whereabouts, price and cost, and destination etc. it has created state of art technology which keeps track of shipments.

FedEx has been able to sustain its competitive advantage in shipping industry. It has invested heavily in development and integration of its supply chain by investing in aircrafts and airline hubs around the world. Its extensive networks, resources and infrastructure are quite impressive and have enabled it to sustain a competitive advantage in international market of shipping industry. Over the time period, it has added several optimum hubs

to its network to increase its accessibility and outreach in developing economies. FedEx's continuous innovations in shipping industry and its extensive infrastructure have enabled it to create value for its customers and sustain its competitive advantage.

Porter's five forces:

Rivalry among competitors:

Firms in transportation industry face tough competition on the basis of price. The industry is marked by a tendency to cut prices with a goal to increase market share. The established firms are continuously striving for the improvement in the service to the customers by offering best quality at affordable prices through innovation. Switching costs are low for customers which make the rivalry among competitors more intense. Also, the exit barriers are huge which make rivalry more intense. Fixed costs and investment in express delivery system makes the exit barriers huge.

Competitors of FedEx are;

UPS: With its huge worldwide network in more than 175 countries, UPS is the largest competitor of FedEx in the domestic market of U. S. A. UPS has aggressively faced the challenges of the industry in the international market and has adapted well against changing needs of customers.

DHL: In contrast to FedEx strategy to focus mainly on domestic market, DHL is expanding its foothold in the arena of international market. It has secured a large network of international customers around the world. It has entered into strategic alliances with international freight companies and international airlines while investing heavily in air-cargo fleet. Its focus is on developing markets like India, China, and Pakistan etc. In 2003, DHL acquired Airborne

Express and is coping up the challenges of rivalry in the transportation market of U. S. A.

TNT: TNT offers a number of transportation solutions to customers that are similar to those offered by UPS and DHL. It is a major and formidable competitor of international transportation market. It has stepped boldly in the competitive market of U. S and is competing against UPS and DHL.

Threat of new entrants:

In the transportation industry the barriers to the entry are high as fixed costs are huge. Establishing an international network of transportation requires high fixed costs and heavy investments in both human and financial capital. Establishing hubs, transportations system equipped with vehicles, air fleet etc requires huge costs. Also, the new entrants cannot exploit the advantage of economies of scale enjoyed by existing players by achieving large volumes of shipments. (Porter, 2008)

FedEx is strongest in overnight delivery market while UPS is dominating the ground parcel delivery market. The existing players have diversified their services to offer one-stop shopping to customers. Thus new entrants have less chances of securing a competitive position by specializing in any of delivery markets.

It should also be noted that the strong brand name and brand loyalty of customers puts significant barriers to entry. FedEx, DHL and UPS have been operating over 30 years and have successfully established a strong brand name and customer loyalty. Brand name and brand image are so strong that it is impossible even for existing companies to capture the market where rivals are strong.

Long term contracts and commitments also pose issues to new entrants. Existing players have strategic alliances with giants like Amazon, Home Depot etc. Also the threat of retaliation from existing players is very huge. (Abraham, 2007)

Threat of Substitutes:

The substitutes for air-freight are ground or ocean freight. Threats of substitutes are not significant to the transportation industry as the existing players are adopting new techniques and solutions to different needs of customers. People need to send parcels from one place to another place whether it is raw material or final product. However, the market where FedEx has strong foothold- overnight documents delivery is facing significant threat of substitutes by emails, dot-com companies etc. Internet companies are spending heavily to attract customers to digitalize their documents, and online forms. Organizations are accepting digitalized signatures to cut time and money. (Porter. 2008)

Supplier Bargaining Power:

Supplier power is very strong in the transportation industry as the fluctuating fuel prices affect the profitability of the industry severely. Thus oil suppliers are at a strong bargaining position. There is a tendency in transportation to store fuel to hedge against fluctuating prices.

However, the suppliers of boxes and packages don't have high bargaining power. Also, because the rivalry in vehicle manufacturing is very strong and the firms are highly fragmented this brings down their bargaining power. (Abraham, 2007)

Other suppliers such as aircraft maintenance providers and catering are in a position of strong bargaining power due to high switching costs

Transportation firms are investing heavily in automation technology to reduce the bargaining power of service providers. This automation technology helps automate the package sorting process and makes the system more time and price efficient. Such factors are very important for competitive advantage. It should be noted that the supplier of information technology don't have sufficient bargaining power due to internal rivalries and low switching costs. (Rainer and Turban, 2009)

Buyer Bargaining Power:

The switching costs for the buyers are low therefore they have sufficient bargaining power. The high bargaining power of customers has created a fierce competition in the industry to expedite their efforts to reach warehouses, storage houses and spare-parts.

Most of the firms are still unable to give the freedom to customers to choose their transportation providers. They prefer to have contract with a transportation company in diversified business to provide the shipping solutions.

Even for firms the switching costs of transportation firms is very low which places them in position of strong bargaining power. It should be noted that with the help of aggressive advertising the brand image of a transportation firm can be boosted to create personal associations among buyers. Some firms are providing customized options such as "open account" option which provides more benefits to the customers. (Porter. 2008)

Porters five force analysis for FedEx:

Value Chain analysis of FedEx:

The value chain for FedEx begins with the pick-up of packages where its employees collect packages from different locations. Customers get value by getting ensured that their packages are picked-up from anywhere and anytime. Customers get a money back guarantee from FedEx if their packages are not arrived on time.

The packages are then transported to a central location called hub from where their packages are sorted and sent to relevant destinations via trucks or planes.

For FedEx, the delivery of packages is of greatest value creating activity. The value of these activities depends on the efficiency of drivers of trucks and planes and their ability to deliver packages on time. (Rainer and Turban, 2009)

The final activity in the value chain is customer service. After sale service and support is very important differentiating factor. FedEx provides tracking service to customers to know about the route of their package and thus enables them to know the status of their parcels and creates a sense of security.

Overall, the support activities such as infrastructure, information systems, buildings, vehicles etc are very important for an effective value chain. Thus the primary activities in the value chain, referred to as logistics are very crucial component.

The competitive advantage for FedEx in its value chain lies in the company's infrastructure and information systems which allow package tracking offered by very few companies. The enormous infrastructure of FedEx allows it to have a very reliable delivery service.

Development of Strategy at FedEx Corporation from 1973 to 2000

In the early beginning of this period i. e. in 1973, Federal express relocated its operations at Memphis, by introducing the modern express industry. It started with the delivery of 186 packages to U. S. with the help of 389 and 14 airplanes. In the next year this firm introduced FedEx Drop box. It was also noted as the first package delivery company to serve almost every person in 48 States in the U. S. federal express also headed a lobby to enable itself to use larger aircrafts without geographical restrictions and it succeeded to get it passed from congress. It further expanded its services to 50 states and got listed in on NYSE. Federal Express expanded its services further to Canada and opened its Super Hub near Memphis International Airport. It announced to have earned one billion dollars in 1983 without merger and acquisition. (Rainer and Turban, 2009)

During 1980's major strategic focus of FedEx was on expansion of its services to Asia and European countries. The expansionary strategies involved mergers, acquisitions, integration and purchasing of other business areas. The well-known acquisition of Gelco Express international was a key step to enter in Asia Pacific. Later this unit was known as FedEx Power ship. Technological improvements like SuperTracker bar code labeling and scanning systems also helped FedEx to perform effectively. Moreover air services started in six European countries also helped FedEx to step in

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European countries. International purchases like Flying Tigers were also a part to expand its services outside U. S.

International accolades like Malcolm Baldrige National Quality Award, also helped Fed Ex to boast its moral among international service providers. As United Parcel Systems expanded its services to Asia using its own crafts, FedEx also got a chance to expand the business in Asia and 200 other countries and territories. During 1990's company focus was to make regular and loyal customer base outside U. S. One of the greatest achievements was the delivery of 11. 5 million packages to more than a million customers in a single day and recorded \$1 billion in a short time of nine years. This growth was known as the fastest among the transportation companies. Further FedEx also emphasized on the International Supply Chain Management, and started to provide solutions to the global supply chain issues. (Abraham, 2007)

During mid 1990's one of the strategic focus was to brand Federal Express in international markets. The introduction of word " FedEx" in 1994 helped this firm to mark its recognition in international markets. Federal Express also introduced online websites to enable customers to carry out business using personal computers. Using software known as FedEx Ship was a technological development towards customer facilitation. Other strategic focus involved stepping inside China. It also introduced its services in Philippines by creating an Asia Pacific Hub and launched FedEx Asia One Network. FedEx Ground marked its 100 percent success by assuring its services in North America. This firm also acquired Caliber Systems and introduced a new channel known as FDX Corporation. During the year 1988,

United Parcel Services got the permission to operate its own aircraft to operate the business across national boundaries. Further acquisitions involved purchasing of Caribbean Transportation Services and in the mean time FedEx announced to reach more than 175 countries globally. In 2000 services of FedEx were divided into small independent business units to make the decision making easier, these small business units involved FedEx Express, FedEx Ground, FedEx Global Logistics, FedEx Custom Critical and FedEx Services. (Kotler, 2007)

Application of the two Schools of Thought to FedEx Corporation

Classical Approach at FedEx

As according to the theory proposed by Whittington, the major focus of the firm adoption the Classical approach is to earn profit through planning. During the early stat of its business FedEx always wanted to have a return on its capital. I can conclude that as an international business FedEx was focusing more to earn profits for short terms, and also did its planning to capture more markets and improving the deficiency areas. Then after some years FedEx started planning to earn profits in long terms through expansion and acquisitions.

As the industry in which FedEx was performing, was very risky because of the huge cost incurred in transportation and supervision. Therefore increasing profitability and incentives were the major drivers to develop competition. Therefore FedEx started to grow its business outreach across globe. Acquisitions and mergers helped this firm to compete rivals and maintain profitability. Among many other transportation companies FedEx was having a strong position and had a bargaining power, due to these

characteristics FedEx had a good reward for mergers and acquisitions. Horizontal and vertical integration helped this firm to earn more profits without competition. An example of Horizontal acquisition was of Flying Tires air fleet that was one of the greatest successes for the firm. This firm also covered its profit inefficiencies by applying more resources and capital to its operation. Huge investments were done in Asia and European countries to carry out its business. All of these activities were targeted to earn a good return or profit. (Kotler, 2007)

Evolutionary Approach at FedEx

As the evolutionary approach never believes that only top management's skills can contribute to earn more profits, FedEx also focused on the individual market performances to do better business and hence these individual market driven business units contributed more in profits. FedEx adopted this approach in the late 1990's when this firm decided to break its business into individual business units that will work under the parent company FedEx. Therefore this firm was further divided into five sub units that were enabled to work independently in international markets. This Evolutionary Approach was based on the Cost Benefit Analysis on individual performances of business units in different markets and geographical areas. (Abraham, 2007)

These days the firm is facing tough competition while performing in the international perspective. Therefore the evolutionary approach is more suitable for the firm to manage its strategic operations and implement key decisions. This is because of the fact that choices are being narrowed down and bargaining power of this firm is decreasing day by day and moreover

FedEx has grown its business across different international markets. So the firm has to perform as a best service provider to beat the competition and survive in the changing technological environment.

Using Processual Approach

As this approach is based on the perspective to perform business in a way in a way that is more applicable, we should make ideals and try to copy them but at the end business can face difficulties in the variable environment. Thus the firm can make the business and its services more competitive and ideal. Therefore FedEx has to cover many areas where its operations are ineffective. The industry is affected by many factors most of them are out of control, and the firm has to perform as a rational individual. FedEx has not overlooked the factors that can vary the firm's performance but it has tried to decrease the human errors while performing the operations worldwide. (Kotler, 2007)

As a rational player in the variable environment FedEx has worked closely with the changing environment to cope up with the competition. It has acquired many business competitions and developed partnerships with several air transportation firms. While playing in the international business environment this firm has also faced head-on competition and took many bold decisions to acquire its competition and mergers. There are few strategic areas; this firm has played covert politics such as the opening of its Sub unit at Philippines to cater the vast demand in the Asia Pacific. This firm also had adopted the cultural variance as its core business value to deliver the best of its services to the customers.

Conclusion:

Federal Express is one of the top service providers in the industry; this firm has to cover its deficiencies in a very short time and has to adopt the leading technological trends introduced by the competition. Federal Express has to adopt a Strategy that is broader in terms of its specifications and carry out its business by following the modern needs and requirements both from customer and industry. It has to be very quick in availing the opportunities across the globe as there are already competitors. A good suggestion FedEx could be to expand its business and engage into luggage industry while other opportunity could be of providing solutions for the other air traffic supply chain businesses also, because this firm has a very good infrastructure as compared with its competition. It has to work to develop itself as a strong business among the other strong developing countries like China, Brazil and India.

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