

Case study: porters value chain analysis



The value chain analysis that has been put forward by Porter is used by marketers to help them understand those particular activities that can give a competitive advantage to the organisation and also help the organisation to create value for their customers. There are various levels of activity that an organisation in the Global transportation and logistics industry has to perform. The primary activities start with inbound logistics, and then move on to operations, then to outbound logistics, then to marketing & sales and end with services. There are certain support activities that also form part of the value chain analysis.

Inbound logistics

The organisations in the industry have to take a decision regarding how they can improve the purchasing and other inbound activities. Inbound logistics consists of receiving, inventory control, storing and transportation related scheduling.

Operations

The next step in the value chain is analysing the operations of the firm. Competitors for FedEx including UPS have to understand how they actually operate in the industry. They shall have to take decisions regarding their activities including how they are able to process the orders of the customers and the pace at which they are able to do it. The competition in this industry is so high that organisations have to compete at both the internal and external level.

Outbound logistics

The next step in the value chain analysis is the outbound logistics that have to be taken care of. This includes the transportations and actual delivery of the products and services to the customers. This part also includes the storage of the goods. The organisations in the industry have used warehouses and fleets of ships & planes to take care of the outbound logistics part of the value chain.

Marketing & Sales

The next part of the value chain analysis is to take care of the marketing & sales part of the organisation. This part is taken care of by the organisations in the industry by marketing their services to the major organisation that provide high volume orders to the companies. For small customers, they have marketed their services on mass communication channels to reach out to maximum customers as possible.

Services

The last part includes the most important part of the value chain as this is the part where there is maximum exposure to the clients. This part includes the technology that the customers can access their orders status as soon as possible. This includes making the delivery systems as transparent as possible. This shall allow the customers to have a clear understanding of the position of their consignments. Thus this shall be another important step for the organisations.

FedEx Core Competencies and Dynamic Capabilities:

FedEx has developed various capabilities during the past few years. For inbound activities like purchasing the Company has used various systems and applications. According to FedEx all of these form a part of the Company's integrated logistics solution.

Network Infrastructure:

FedEx uses a variety of systems to take care of the inbound logistics issues and they include Global Inventory Visibility System (GIVS), Inventory Management System (IMI), Warehouse Management (WMS), Transport Management System (TMS) and Customs Clearance System.

The outbound logistics part of the value chain for FedEx includes activities that include activities that are done for the actual sending of the products to the customers including warehousing, transportation, delivery and distribution. According to FedEx, for this part of the value chain, FedEx implemented software solutions including Customs Clearance System, IMI, GIVS, Multiship and Transportation Page Optimization System. For the manufacturing part of the value chain, FedEx had another strategy in place. They implemented an IT and e-business solution in the form of an ERP or enterprise resource planning software.

The next stage of the value chain analysis takes into account the outbound logistics and for that FedEx had placed another e-business solution online that allowed the customers to find out the locations of their goods and thus enabled them to track the goods and ascertain a delivery time for the same.

For marketing and sales, FedEx adopted a strategy of portraying the firm as one which delivers on time and thus can be trusted by any form on the customer. According to FedEx, they reached out to the customers in such a manner so that there can be built a trust level for the organisation and this can be used by the firm to grow in the future.

The last step was the service, and for an organisation that has the main business as service, this was among the most important parts at any point in time. According to FedEx, the firm had to take care of a few of the hiccups that had occurred due to the fast changes in the internet industry but were now online with a single access system for the users that allowed them to reach out to all the businesses of FedEx through a single contact point. This was one of the major capability changes that FedEx had that allowed them to build an efficient logistics network.

Fleet:

FedEx had a very large fleet of aeroplanes, automobiles and other delivery vehicles that allow them to deliver the packages of the consumer on time. According to FedEx, they also have a very large workforce that is spread throughout the globe that allows reaching to areas that other small competitors usually can't reach out to.

According to FedEx by having such a large fleet of resources at their usage FedEx has a very strict delivery schedule. This allows them to deliver the packages on time. By doing this they are able to create a competitive advantage that not a lot of competitors can copy. FedEx also provides an in time guarantee to their customers regarding the timing of the delivery of the

package. By doing this they create a confidence level in the customers that cannot be matched by competitors both large and small in the industry.

Thus it can be said that FedEx has a couple of distinctive capabilities that allows the organisation to be a little above the rest of the organisations in the industry. Although according to San Jose Consulting Group FedEx does not have a lot of distinctive capabilities those that the organisation does possess can help it to grow in the future markets.

Q2. Discuss the events leading up to the 2000 rebranding

There were a lot of reasons why the rebranding had to take place in the first place. As per Ng and Farhoomand, (unknown). The company had to address a few issues that had come up in the last few years including:

FedEx's business performance:

According to FedEx, for the year ended 31 May 1999, the company has performed exceedingly well with a 28% increase in sales over the last year. However when the next financial year began so began the problems of the company. With the rising fuel prices, the company's profits started to fall down. They reported a 10% decrease in their net income in the next six months and that proved to be an eye-opener for the organisation. The fuel prices were not going down and therefore the company had to take some remedial action and fast. They were facing a lot of issues regarding their financial results as the company reported two-quarter results below the expectations of the analysts. The main reason for the financial troubles was the downturn in the US economy and the slowdown in the sales of the express transportation business that formed nearly 80% of the group's

revenues. With both of the major contributors having a slowdown, the organisation was bound to face issues in the financial department. According to FedEx, by the year ended 30 May 2000 the company's operating income was down by nearly \$150 million. This forced the hand of the management and they realised that something had to be done and it had to be done fast to stop the decline in the earnings of the company.

The changing role of the World Wide Web:

According to Hill & Jones (2004), with the turn of the century, there was a drastic change in the business environment due to the internet. The Internet modified or some can say completely changed the foundations of competition for most businesses. As per Ng and Farhoomand, (unknown) the low cost and the various customizations of the internet made it appealing and accessible. The internet forced a level of competition that even a small scale organisation could compete with an international player as long as they were able to deliver the promised goods and services at a competitive time. The internet levelled the field to a large extent. For FedEx, the internet had a twofold impact. Firstly, it allowed FedEx to change the way its supply chain worked. The company could re-engineer the supply chain according to the internet functionality. This allowed the Company to reach out to a large pool of customers with varied needs and then provide them with the required assistance. Such an initiative made the Company more aware of the changes in the business environment and allowed them to change their focus with the changing times. Secondly, it allowed the Company to take advantage of the associated avenues in e-tailing and B2B electronic commerce; which FedEx claimed to have an advantageous business model to utilise for further

growth. When the concept of e-Tailing began there were a lot of doomsayers regarding the sustainability of the concept? However for companies' like FedEx It was the perfect opportunity to utilise their logistic capabilities and combine it with the latest trend on the internet and create a business model that is enduring and has a lot of scope for growth in the future as well. Thus the Internet created a new business environment, which the company had to adapt to for growing in the future. And FedEx adapted to this change by bringing about a lot of changes including the rebranding exercise.

Competition:

The competition of that the Company faced was intense. The industry is such that there are a lot of localised and international players that have a large say in the direction of the industry. The largest competitors including FedEx, DHL, UPS and TNT hold approximately 90% of the market share. All of these competitors had taken up the mantle to lead the way in the new internet revolution and then lead the way to the top of the industry. The competitors of FedEx had initiated strategies of their own to compete for the future including:

UPS

According to Dona (2003), UPS had spent nearly \$9billion on its own IT initiative and had made nearly five alliances to provide the IT related services to the customers of the company. In early 1998, UPS formed an alliance with Open Market, Inc., an internet software provider that was based in the US, to provide UPS with an integrated logistics and customer delivery system that make a complete internet commerce solution. UPS had also

started working with IBM and Lotus to create a standardised format for the Company's website.

In 1999, UPS had also raised US\$5.47 billion from an initial public offer in the US market which was also till that time the largest IPO in the US markets. The company shipped more than 55 percent of goods ordered over the Internet and offered the full range of logistics solutions to its customers.

DHL

DHL had already announced a four-year US\$ 1.25 billion capital spending program for the purpose of investing in handling system, automation, facilities and computer technology in the year 1993. In 1995 the company launched its own website. Thus DHL too was going ahead in the IT field.

TNT

TNT was the fastest mover in the logistics markets when it came to the internet scenario. They were able to take a lot of steps including launching of their own site and a few selected web tools, including the express industry's first fully customer dedicated extranet to reach out to the issues and demands of the customer, that allowed their customers to connect to them and make the required orders in an orderly manner and with as little difficulties as possible.

According to Isidore, it was all of these reasons that forced FedEx to take the step of rebranding their company and the businesses of FedEx. This also forced FedEx to make one point of access for the sales, customer service, billing and automation system as competitors like TNT and DHL were trying their best to make their processes simpler so that there was no confusion

with the consumer regarding the placement of orders and thus they make a satisfied customer.

Thus FedEx realised that although they had pioneered a lot of logistics solutions. However, their strategy had to change to take into account the changing dynamics of the industry.

Q3. Current CSR developments in the Global logistics industry and the future of FedEx in CSR initiatives.

In today's society, the customers are fast becoming aware of the consequences of the workings of an organisation. The customers want the organisations to give back a percentage of their earning in one form or the other. In any industry, it has become essential for an organisation to be active in the social responsibility sector to have a positive impact on the minds of the consumers. In the global logistics industry a lot of steps have been taken by the organisations present to have a high social responsibility quotient in their annual working. Some of the initiatives that firms such as FedEx, UPS and DHL have taken in the most recent times include:

Persistent development towards environmental management

The firms have a strong belief in the incessant improvement in the management of the environment. This is done through the analysis of the impact that the products bear on the surroundings. There is also a focus to trim down the adverse impact if any, occurs and to also refurbish the properties that tend to lose the impact of the products offered by these organisations.

Proficient use of natural resources.

The company's claim to strongly believes in the notion of effective and efficient usage of natural resources. This is so because they are very much aware of the fact that these significant resources are so very vital to the society around. Well-organized use of these resources would lead to the minimization of waste as the waste generated would be less also it will involve activities like recycling, innovation and the most important of all control over pollution.

Quantifying the environmental performance.

The firms have also started giving great importance to the fact of measuring the environmental performance. This is done through the assessment with responsibility and the same is provided in the form of statement to the management of the respective companies.

Incorporation of environmental responsibilities

This refers to the fact that huge importance is laid on the integration of environmental responsibilities in each and every employee that has been employed by these organisations. According to Benson and Kinsella (2001), dedicated a considerate amount of time in making the employees aware of these things which are done by laying emphasis on policies being clear, appropriate training and recognition. Also, there is participation in the expansion of environment policy in various sectors related to their business.

Curtailing the atmospheric emissions.

This could be rated as one of the major steps taken towards the betterment of the society and the environment as a whole. Atmospheric emissions and

the pollution created by noise is one of the major issues that harm the health of the citizens to a large extent. To minimise the impact of both the organisations in this industry have tried some innovations. Organisations in the logistics industry have tried to utilise their technology and innovations well enough to reduce the atmospheric emissions to the maximum possible extent.

Provide emergency and disaster relief.

It is well known around the globe that companies like FedEx have always been one step ahead when it comes to providing support to the areas struck with emergency or battered by a disaster. These companies utilize their proficiency in logistics to reach the needful on the right time so that their help could be fruitful to the communities of the world and they could of help to them also could be a part of their restoring process and could provide a lending hand so that the affected people could come out of such situations safely.

Providing access to indispensable health services

FedEx is very particular in helping out and providing an access to the basic health services. To do so there widespread transportation system proves to be of utmost importance. It is only through this system that they help out the needful in availing the basic health amenities. This very act has saved people from getting tangled in various kinds of illness and thus has saved many from getting bedridden or probably death as well.

Safety: A core value

Immense emphasis is laid on the safety of the people and that is why FedEx holds safety as one of its core value. There has always been a huge focus on the safety of the people on the roads and surrounding areas such is the concern of FedEx towards its fellows of the society. Safety “ of the people “ is the very first instruction that is given to the people at FedEx. Also, FedEx runs a campaign about pedestrian protection by making children aware of it.

Being educated and inspired.

Youth is the future of a nation and is very important to protect it. FedEx believes in educating and inspiring the youth so as to have a bright future. To support this FedEx shore up education in the fields of technology, economy and trade, diversity and much more so as to have an educated society which could bring up leaders who could lead us to be number 1.

The future direction of FedEx in CSR activities:

FedEx has always worked towards the concept of Corporate Social responsibility. They have always tried their best to serve the society in an efficient manner. This can be shown from the various corporate social responsibility initiatives that they have taken up in the past few years and the commitment that they have done for the coming few years which include:

Minimise the impact on the environment:

There is a special focus on diminishing the direct as well as the indirect emissions from the fleet vehicles as well as the other facilities. As the revenues grow FedEx aims at using a considerable amount of it toward the

protection of the environment and thus looking after the world as a whole. For this, they need to enhance their efficiency further and upgrading of the fleet is also must.

Children: Our future leaders:

FedEx is aiming to increase its efforts to enhance the awareness of children towards their environment. Although there are certain initiatives that they have taken but one of the major strategic decision that they intend to take is to increase the contribution by near about 7.5% and to create more and more awareness in the children. To make them understand that Green is the colour of life and they should deliver “ Green “

Investment in global projects related to environment sustainability:

FedEx is very particular about the sustainability of the environment and with this as their goal they are aiming to invest hugely in global projects that would lead to the sustainability of the environment. These projects would be basically the ones that would help to seize the greenhouse gas emissions. Further, FedEx is aiming to invest more in countries like India, Hongkong, China in its near future so as to make the maximum possible efforts towards the sustainability of the environment.

Conclusion:

Thus by the way of this assignment, it can be ascertained that FedEx has had a turbulent time to reach the pinnacle of the global transportation and logistics industry and they plan to stay on top.