

3: fedex in the chinese express delevery market: face-off in the forbidden city

[Business](#), [Management](#)



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Overview

The assigned case is about FedEx, one of the most popular express delivery companies in the world. The case concentrates on two major problems faced by FedEx in Chinese market. The market of China, where FedEx operates its business is highly competitive with numerous organizations competing to provide good services with low cost. The first problem identified in the case for FedEx was high operational expenses. FedEx has confronted with high amount of fixed expenses due to heavy investment in the infrastructure. In the year 1997, the Asian currency crisis had resulted in steep currency devaluation which had also negatively impacted on the operating profit of FedEx (Darden Business Publishing, " FedEx in the Chinese Express Delivery Market: Face-Off in the Forbidden City").

The other significant problem recognized in the case for FedEx is high level of competition in the Chinese market. There are several competitors of FedEx in the market of China such as DHL, United Parcel Service and China Post EMS. Besides, the recent business expansions of competitors through mergers and acquisitions have made the business environment of FedEx more competitive to survive (Darden Business Publishing, " FedEx in the

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Chinese Express Delivery Market: Face-Off in the Forbidden City).

Recommendation # 1

The way to respond to the first problem i. e. high operational expenses in the foreign market is to transform the fixed expenses to variable expenses. It not only helps to reduce the operational cost but also facilitates to increase the capability of the organization to react to the changing business environment. There are certain recommendations that can be helpful for dealing with the problem of fixed expenses such as reducing the amount of budget, closing the unnecessary services which bear extra expenses and optimizing the number of personnel through lowering the hierarchy level.

Justification

The justification for converting the fixed expenses to variable expenses is that organizations cannot reduce the amount of fixed cost according to the sales, while the variable cost can be adjusted in accordance with the changes in sales. The high fixed cost can hamper the business in difficult economic conditions such as currency crisis. Moreover, persistent high fixed expenses can render an organization to be out of business. Therefore, taking up cost reduction measures is a necessary solution for solving the problem of FedEx in the Chinese competitive market.

Implementation

In order to implement the above recommendations, FedEx needs to employ part-time employees when needed, apply cutting-edge technology for better business operations and reduce the utility expenses of business to better compete with competitors with respect to price.

Recommendations # 2

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In order to survive in the competitive environment in a foreign market i. e. China; there is need for gaining thorough knowledge about the market.

There are certain recommendations that can be helpful for FedEx to maintain its position in the market of China such as to compete by low expenses and to adjust business strategy to accommodate local market conditions.

Justification

Clear understanding of the local business environment can help to establish a strong competitive position in the market. It can help to increase the bond with the customers and as a result can facilitate to increase the business.

Implementation

FedEx can go into strategic partnership with certain Chinese counterparts in order to better understand the customers and their preferences. It can help to gain broader access to the market of China and also to save the costs on distribution and dealership networks. This implementation idea will be helpful for FedEx to effectively contend with the major competitors.

Work Cited

Darden Business Publishing. "FedEx in the Chinese Express Delivery Market: Face-Off in the Forbidden City." University of Virginia (2009): 1-21.