

Fedex swot analysis



S. W. O. T. Analysis Company Strengths and Resource Capabilities:

Globalism: Federal Express operates on a global scale.

They operate in 211 countries. They provide services that appeal to most of the world. They have such a large market in which to operate, and thus realize tremendous revenues. They can also achieve global economies of scale. **Innovation:** Federal Express took airplanes and trucks and used them differently than any other company before them.

This is innovation. They have first-mover advantage in name recognition because of this innovation. This has helped them to remain the industry leader since 1973. **Technology and Communication:** Federal Express uses and continues to search for new technology.

They allow spending of \$1billion a year, 10% of total revenues, for information technology. That commitment keeps customers from switching to other providers. Federal Express also has excellent communication with their customers. They use tracking devices on all shipments, and customers can find out where their shipment is through many different avenues including a user-friendly Web site. Federal Express customers are assured that FedEx will always be on top of technology.

Strategic Vision: Federal Express' will always have competent top managers in charge of strategic direction. Frederick Smith built an industry leader, and kept it in that position since 1973. **First-Mover Advantage:** Federal Express has had first-mover advantage in several areas. (1) Being a global express transportation company. (2) Advanced technology and communication throughout the company's operations. (3) Incorporating smaller companies

with similar operations under its belt to synergize and control more of the market.

Industry Leader: Federal Express has been the industry leader since 1973.

Strong Brand Image: In 1990, Federal Express became the first company awarded the Malcolm Baldrige National Quality Award in the service category. In 1994, Federal Express became the first global express transportation company to obtain simultaneous system-wide ISO 9001 certification in international quality standards. Federal Express has also developed their own quality system that matches their customer's standards.

Company Weaknesses and Resource Deficiencies: Rising Prices: Federal Express' prices are above their competitors'. This can be a weakness if their customers do not perceive a difference between Federal Express and its competitors' services. Labor Disputes with Pilots: Federal Express pilots have formed the Fedex Pilots Association. This organization demanded changes in the pilots' salaries, retirement benefits, and the fact that Federal Express outsources some foreign flights instead of giving their own pilots the job.

The pilots have a Web site where news is posted and feelings are discussed. During the busy Christmas season in 1998, the pilots threatened to strike. Federal Express and the Fedex Pilots Association have developed a tentative agreement, which is published on the pilots' Web site. However, the pilots do not believe this agreement fully meets their expectations. This dispute is definitely an internal weakness for Federal Express, considering they have 3,

500 pilots employed with them. Their operations would suffer if there were strikes.

When UPS employees went on strike in 1997, Federal Express took the extra 800, 000 shipments a day. If Federal Express employees went on strike, their competitors could gain an advantage. Running Subsidiaries Separately: FDX has deliberately chosen to keep their companies separate. In FDX's 1998 Annual Report, CEO Frederick Smith states, " Simply layering the unique resource and operating requirements of a time-definite, global, express-delivery network onto a day-definite, ground small-package network would surely result in diminished service quality and increased costs.

Under the FDX umbrella, we will leverage our shared strengths while operating each delivery network independently, with each focused on its respective markets. Frederick Smith is confident this will be a strength, instead of a weakness. Time will tell. Company Opportunities: Expansion Globally: Federal Express can continue to expand globally, including the other companies under FDX. Expansion Internally: Federal Express can continue to acquire more companies, and expand into new technologies or areas in their industry.

Run Subsidiaries Together: If FDX doesn't profit from running the subsidiaries separately, they can change to integrating their operations to achieve better synergies and economies of scale. Contracts with Large Corporations: To stay the industry leader, Federal Express should form contracts with companies who will add cost-saving or value-adding benefits to their services. Joint-Ventures: Federal Express can form joint ventures, such as

already with Netscape and American Express, to enjoy the growth of integrating their customer bases. Expansion of e-commerce: Federal Express already has a major presence of shipping online.

They should keep finding Internet companies to contract delivery of their products. Since the growth of e-commerce is rapid now, Federal Express could enjoy both profits and brand name recognition from this kind of expansion. Company Threats: Y2K Problem: If Federal Express' communication and tracking systems aren't actually Year 2000 ready, they will experience lost shipments, lost customers, and lost profits. This is a threat for every business, but a global company will be affected on a larger scale. Community Responsibility in the U. S.

: Federal Express might be subject to community disapproval in expansion within the United States. Right now, Federal Express has plans to build a second super-hub in Greensboro, NC. The airport is supportive, but the citizens of the community are not. Federal Express has to decide whether the community support or building the center is more important. Relations with Foreign Countries: Through Federal Express' expansions globally, they are subject to laws and regulations of all foreign countries.

There could be major problems in this area, stunting growth and raising costs. Already, Great Britain will not let Federal Express fly their own planes for shipments. Federal Express must either load their cargo on to British planes, or use ground transportation. This is very inefficient for Federal Express; however, it keeps competition out for British Air Transportation

companies. Everywhere Federal Express goes, they are at risk for regulations that hinder their operations or efficiency.

Economic and Political Conditions: Federal Express is subject to the entire world's economic and political condition in the areas of fuel prices and supply, customer purchase of their services, and relations with foreign countries. As a global company, they are subject to much more risk than domestic companies. **Current Problems and Issues** Federal Express has several current issues and problems. Decisions about these issues will affect Federal Express' profits and brand name in the future. Federal Express Pilots' disputes with the company over their salary and compensation, retirement benefits, and Federal Express' outsourcing some foreign flights. Table 1 on Page 2 of the Appendix shows why the pilots are upset about their salaries.

Federal Express spends only 13.17 percent of total operating expenses on their labor expense. The industry average is 14.81 percent. However, Federal Express' main competitors spend 20 and 24 percent of total operating expenses on labor.

This is why the pilots are voicing their disagreements, and demanding change. **Fuel Price Fluctuation:** Federal Express raised their prices and developed contracts with oil suppliers to cover fluctuating fuel costs and volatility of supply. **Creation of super-hub in North Carolina:** Federal Express does not have the community's support. **Alliance with Netscape:** FDX created an alliance with Netscape in order to simplify the world of electronic commerce. FDX will offer delivery services on Netscape's Internet portal site.

This will allow both companies to achieve mutual business targets that could not be achieved otherwise. Alliance with American Express: Federal Express offers a 10 to 20 percent discount on many delivery services to customers using an American Express Small Business Corporate Card. Federal Express offers many different services spanning the globe; this is why Federal Express has many strengths, and opportunities. However, Federal Express must also be concerned with their weaknesses and current problems.