

Fedex vs ups competitive advantage essay sample



**ASSIGN
BUSTER**

In this report we focus on the two main competitors in the package delivery industry: Federal Express Corporation (FedEx) and United Parcel Service of America, Inc. (UPS).

Studying FedEx, UPS and their competitive relationship gives a good insight for the companies' and industry's future. The two companies have different strategic goals and are operating in the same industry but in different main markets: FedEx is working on “producing outstanding financial returns” and focuses on the profitability of overnight air market whereas UPS is looking for “earning reasonable profit” and its core business that is the ground delivery.

Sustainable competitive advantage

Attaining a competitive advantage in package delivery business appears to be a challenging task. The main reason is that it is an easy-to-duplicate business both for the competitors and any new entrants. This is obvious in FedEx's case: the company always has distinguished itself through technologically advanced services, expanding in many places and new products over other competitors, especially UPS. UPS was the main choice for low-priced ground delivery services however being a market follower in the air delivery sector could negatively affect its reputation and cause loss of market in the long term.

Taking the above into consideration the combination of high-service quality, convenience and low rates can give a company a sustainable competitive advantage.

Federal Express

“ We will produce outstanding financial returns by providing totally reliable, competitively superior global-air ground transportation of high priority goods and documents that require rapid, time-certain delivery.” (FedEx).

Enabling Factors supporting this statement were clear in FedEx heavy investments in IT solutions as it presented COSMOS and Powership 3 for better package control resulting in an improved quality. In addition to that, FedEx entered the ground delivery market following UPS in this area, although FedEx delivery personnel are non-union, Independent Contractors (IC) and not employees of FedEx. More on that, FedEx’s philosophy of “ People-Service-Profit” was successful in ensuring a union free workforce devoted to customer focus. Global expansion into international markets and key acquisitions enabled FedEx to diversify its operations and workforce. Poor economic conditions and rising global competitiveness generated the need for a “ just-in-time” supply model, which was the gain supported by FedEx advanced technologies.

Some inhibiting factors were the competition is heavily involved (e. g. DHL, USPS, and UPS) entering the overnight delivery market as well as imitate other FedEx new services. These competitors were able to acquire similar IT solutions with lower costs and as a result presented these services with offering lower prices. Moreover, in the attempt to expand internationally, some acquisitions were over-priced and revealed insufficient market studying. Replicating the collaborative FedEx model was difficult in some global markets competitive tension by rival UPS.

FedEx has expanded into many diversified areas for the logistics business, FedEx Trade Networks, warehousing and customs services and Kinko's-FedEx copy centers; the back office solutions similar to the UPS Stores.

United Parcel Service

“ Our goal is to synchronize the world of commerce by developing business solutions that create value and competitive advantages for our customers.”
(UPS).

UPS target is to provide stable returns and minimize risks against revenue. This is emphasized by portraying a globally and technology industry leader attitude and the careful selection of services and solutions upon observing competitors. UPS essentially waited for its competitors to be first to market and improve on what others offered.

Enabling factors supporting the mission statement in which UPS conducted heavy restructuring to cut cost and improve quality to the customer. In addition, UPS invested in IT solutions and presented new services in the area of supply chain solutions, fulfillment, and multiple modes of international shipping and customs brokerage offerings. This enabled UPS to cut unnecessary operational costs, invest in new customer driven technologies, offer multiple global service modes and minimize the risks of being the first company to challenge such concepts.

Inhibiting Factors were a heavy union work environment that has always functioned as a barrier in front of progress and quality of service. Moreover, acting always as an industry follower has a negative impact on the

company's image and could ultimately cause loss of market-share. UPS did start the profitable next day air service until 1982. (UPS). The company did not have a clear growth plan until after the death of the founder, James Casey in 1983.

Conclusion

According to Zingham, Ledford, and Schuster (1996), " Although many companies share business strategies they may be seeking unique advantage through better execution. This would mean that organizations select the competencies that best communicate their business strategies, and they count on implementation to achieve an advantage." (p. 4). However, there seems to be a set of fundamental concepts that many organizations that achieved excellence in the fields are committed to following the guiding principles they set. Related to customer focus, results orientation, people development and community involvement, continual learning and innovation are some of the concepts that help organizations perform better than the rest. The conventional wisdom is that if an organization were operationally excellent, strong financial performance would follow.

FedEx has an " excellence" advantage over UPS through its dedicated employees and satisfied customers. Employee participation has given FedEx the reputation as an exceptional place to work while UPS suffers from history of union labor strikes and service disruptions. In addition, FedEx's customer focused philosophy continues to benefit market-share as UPS has experienced lower than expected customer satisfaction. Although UPS has achieved a better financial performance and started re-engineering its

efforts to remain competitive into the future, we can say that, for now FedEx has achieved a model of business excellence.

References

FedEx 2010, Investor Relations, Mission Statement. Retrieved on February 20, 2010 from: <http://ir.fedex.com/documentdisplay.cfm?DocumentID=125>

Zingham, P. K., Ledford, G. L., & Schuster, J. R. (1996, Spring). Competencies and Competency Models: Does One Size Fit All?. *_ACA Journal_, _5_(1)*, 56-65. Retrieved on February 21, 2010 from: http://www.schuster-zingheim.com/docs/Competencies_and_Competency_Models.pdf

UPS 2010, Investor relations, Mission Statement. Retrieved on February 20, 2010 from: <http://www.investors.ups.com/phoenix.zhtml?c=62900&p=irol-irhome>