

Business model for fedex and ups

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FedEx and UPS have developed similar business models in terms of the types of Airbus they operate. They have both decided to purchase older and remodeled airbuses to cater for their lower market segment. In these new upgraded aircraft, the two companies offer the low cost aircraft services in exchange of many traditional airline passenger services.

These low cost business model practices include; a single passenger class, single type of airplane like Boeing 737 which reduces cost of maintenance, that cost of training and servicing, minimized optional equipments that subsequently reduces cost of acquisition and maintenance, unreserved seats to encourage passengers to book earlier, flying to less costly airports and on off peak hours, good fare schemes, encouraging the use of direct flights, emphasizing the direct sale of tickets to eliminate extra cost to their clients, limiting personnel costs by allowing employees to do multiple works, and aggressive fuel hedging costs to reduce the cost of operation.

The concept originated from the United States in the 1990s and later spread to Europe and the rest of the world. The two companies adopted this business model to cater for the high demand of low cost and more flexible airline transport. The fact that low-cost carriers are very dynamic and mostly offer tickets in promotion, they have become very popular with middle-income group of the world population, hence posing a great threat to the traditional full service airlines. However, the two companies realized that the traditional full-service business still hold grip with the traditional travelers. Read about FedEx Stakeholders

The two companies strategic management analysis indicate that the older model of full service air transport is still holding to some traditional travelers

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hence the need maintain them. This is why they continue to operate the new airbuses to carter for a particular market segment. The need to diversify for the two companies helped them stay afloat in the market between 2001 and 2003 when the aviation industry was rocked by terrorism and war. The airline companies which only depended on full service business model could not compete effectively during this period

Conclusion

The needs of the customers play a role in every business model taken by any ambitious businesses.

This principle holds to all sectors of the economy where the businesses rely mainly on the customers' needs and satisfaction so that they can cut a niche in the market share and survive the turbulence in the market dynamics. This is the basis in which the two companies, FedEx and UPS have set their business models, operating on both low cost refurbished aircrafts and at the same time new airbuses, Boeing 737 or Airbus 320 series. Bibliography Gross, S. (2007): Handbook of Low Cost Airlines - Strategies, Business Processes and Market Environment, Berlin Gottfredson, S. (2005): Strategic sourcing for business Review, Harvard Business Review, Chicago