

# Airborne express harvard business case essay sample

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Airborne Express the current underdog in the express mail business has been able to compete with market leaders due to innovation and optimization strategy. The company built on cutting cost and emphasizing reliability now faces pressure from the leaders UPS and FedEx to change their pricing strategy. This change from standard rate pricing to distance-based pricing puts Airborne in a dilemma in which they must choose to match the competition which will make them lose what sets them apart in the market or stay with the current strategy. Changing will increase their flexibility and could open them up to new consumers while staying the same might push them further into a niche market of long distance big business customers. Airborne should change to the distance-based pricing strategy and find a new way to differentiate itself so that it can continue to grow in the market. We recommend that they consider sticking to large business customers who deliver in bulks in order to cut the cost related to constant transportation. They may want to expand into the single item delivery business which delivers items in metropolitan areas by means of bicycles in 30 minutes. This will set Airborne apart and allow them to compete with the rest of the market.

Part one: Big picture of the case:

Seattle-based Company Airborne Express was descended from two specialist airfreight carriers, and they are the Airborne Flower Traffic Association of California and Pacific Air Freight. Those two companies merged in 1968 to form the Airborne Freight Corporation. Unlike UPS and Federal Express which always made headlines, Airborne hardly attracted any notice. However, Airborne had grown far faster than either of the two big companies in <https://assignbuster.com/airborne-express-harvard-business-case-essay-sample/>

express mail business, and it held 16% of the domestic express mail market by 1997. Looking over the Airborne Express case, Airborne face a situation that it needs to make actions in order to survive. Both Federal Express and UPS were unleashing a flurry of new services and pricing schemes that may threaten the business of Airborne.

Such new moves by both “gorillas” like companies may sweep the corners of the market described by some industry analysts. For years, the industry set the prices without consideration of distance, which means, a same sized letter from New York to New Jersey has the same cost as if the letter is shipped to California from New York. In 1996, UPS officially moved to distance-based pricing, and Federal Express followed same action in 1997. There is no denying that what actions Airborne take is significant affecting the development of the company, while facing this big change in industry.

#### Section 2: The problem/Opportunity:

Airborne Express has long differentiated itself in the market by structuring itself as a big business only carrier. They have specialized in large unit deliveries through metropolitan areas. Everything they do is aimed to optimize the delivery process and slash cost where ever possible. However, Airborne is now faced with a huge decision. They must decide whether to step away from their differentiation strategy to match the new pricing tactics of the market UPS and FedEx or to continue the old norm of delivery pricing.

The new distance-based pricing strategy threatens Airborne’s consistent strategy to cut prices. Clients will seek to ship packages at the lowest cost.

The short distance deliveries will be ruled by UPS and FedEx since they are

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the once who are currently providing the lowest rates for these distances. Airborne must decide if they wish to keep the standard rate pricing for all distances or move to distance-based prices. If they follow they will incur more cost but if they don't they will become a long distance only company and have to resort to planes more often and incur cost as well. Both options seem to move Airborne away from what has made them able to compete with UPS and FedEx this long. They must decide whether to stay or match.

### 3- Problem/Opportunity Analysis:

The main problem that Airborne is facing is whether to follow industry leaders UPS and FedEx by switching to a new pricing system. The decision to do so is complicated both by the innovative nature of the shipping business as well as the fact that the new pricing system may not fit the nature of Airborne Express' niche market. The advantages to switching the pricing system lie in the brand's image of flexibility as well as the fear that UPS and FedEx, companies with large market share, will be able to meet Airborne's low price competitive advantage as they move to the newer system. Industry history shows that innovation is highly valued by consumers and the flexible pricing system directly aligns with brand image making switching systems an appealing choice. However, implementing the new system would be a costly endeavor. Further, large portions of Airborne's customers are small businesses, which due to contract pricing would not gain from a distance-based system.

4. What are some viable alternative solutions, and what is a recommended solution? Why? As a solution to the problem, Airborne should not follow the

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trend of those big express mailing firm. It is because once the firm follows the change which is pricing based on distance, Airborne Express will not have a competitive power since the size of the firm is smaller than other major firms in the industry. In addition, Airborne should not keep the current pricing policy which is fixed charge for any distance because the firm will not generate any profit since people are only going to use the Airborne Express service for a long distance when other companies charge less for shorter distance. Airborne Express might have competitive advantage by charging customers low price but it is harder for them to have profit. In order for Airborne Express to survive in the competitive market is differentiating their service that other companies do not offer.

As a recommended solution, Airborne Express should specialize in providing service to specific customers or in specific areas. For example, when Airborne offer its mailing service only for business people or firm in metropolitan area they can reduce their cost but provide faster mailing service than other companies since it is centralized in certain area. The company can also apply quick delivery service that people do with their own bicycle. In New York City there are people who deliver documents or packages with their own bicycle within thirty minutes. Airborne Express can take the idea and make it more legitimate service so that customers can have trust on the service more than just random people deliver their products. By doing so, Airborne Express can lower their cost but provide way faster service than any other express mailing companies and also the company could charge more for better quality service which will lead the company to survive in the industry.

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## Conclusion:

So far we have looked closely into the problems and solutions Airborne Express is facing. It is certainly challenging for Airborne Express to survive in the competitive express mailing industry. However, once the company set up their strategy attractive enough to appeal their customers, it is not always an impossible game to win. Thank you for reading our team analysis on the case and we would love to consider taking step farther on the case through active discussion.