Fedex corporation strategies essay sample

Question One

1. FedEx and Porter's Five Force Analysis

Porter's Five Forces Analysis is use to illustrate industry's attractiveness and the ability of respective participants to remain competitive (Barney 2007). The analysis is will hereby be used to investigate attractiveness of the international logistics and one of the biggest players (FedEx) ability to remain competitive. The five forces, supplier bargaining power, consumers bargaining power, threats from new entrants, substitute threats, and industrial rivalry will analyzed and reported accordingly.

A. Suppliers Bargaining power

This force helps in the process of illustrating the ability of supply system to exert pressure on players in respective industries, which includes increase in productions costs. Higher degrees of supplier bargaining power lead to client companies being seeing their switching costs increasing dramatically. It is therefore important to have lesser degrees of bargaining power for industries competitiveness to thrive. According to Campbell (2007) bigger companies like FedEx are more likely to experience less supplier bargaining power, reason being that inputs are sourced in bulk and usually from various suppliers. FedEx has been reducing its suppliers' bargaining power by merging or buying them over. For instance, FedEx ended up acquiring the company that had monopoly is supplying it with delivery trucks. Undertaking this process on a regular basis has resulted to the company being able to tilt the buyer-supplier bargaining power on its favor. Ordering in bulk has also been providing the company with impressive discounts from suppliers, which has father reduced the latter's power.

B. Customers bargaining power

The competitiveness in national an international delivery industry provides service buyers with greater bargaining power. Consumer bargaining power is especially cultivated through greater availability of information to compare delivery companies (Riley 2006; Wright 2008). Indeed, consumers have to just visit individual providers' websites to compare rates and services offered. Gathering this information takes short time that customers are willing to invest in order to save. Switching costs between delivery service companies is negligible. In fact, notes Ross (2002) many customers (individual and businesses) maintain different accounts from various logistics companies, which helps in choosing the appropriate service to use after comparing cost and terms on the websites. Maintaining customers therefore requires delivering delivery promises, because they can switch to competitors with ease, which illustrates their higher bargaining power.

C. New entrant threats

Capital requirements in the logistics are too high for players of FedEx stature to be concerned. However, players in the lower end of the industry could get concerned about the new entrants. FedEx has also diverse product portfolio that caters for various market segments, from cost-sensitive residential to big clients. The company concerns would specifically develop from the existing competitors becoming more aggressive in markets that FedEx has greater market share. This calls for FedEx not to rest on it laurels because the existing competitors will always strive to dislodge its lead in various market segments.

D. Substitutes threats

There is little product differentiation between competitors in logistics industry, meaning that consumers of FedEx products and services can easily switch between companies. Also as illustrated earlier, the switching cost is negligible. Customers in the industry keep switching between players regularly given it only take an online account to make a switch. Attempts by respective companies to differentiate products have not been successful enough to the point of reversing the threats problem. This has resulted to competitors retorting to price as a way of luring competitor customers and retaining current ones, a process that can be said to bear results.

E. Industry's competitive rivalry

Competitive rivalry in the industry is high in all market segments. The international logistics industry can actually be regarded as a competitive one given the number of players and consumers taking part. Despite the many players competing with FedEx, only the major players can be regarded as straight rivals. The rivalry between the big players can be regarded as the main cause of significant advertising budgets used by various players. Competitive rivalry between the big players can especially be seen on respective websites, where each of the players strives to be most consumers friendly so as to keep them interested.

1. FedEx and Porter's Value Chain Analysis

Porter's Value Chain Analysis is used to illustrate how individual firms could improve competitiveness in respective industry (Brandenburger & Nalebuff 2005). The analysis regards companies as value adding processes, which are divided into five stages: inbound logistics, operations, outbound logistics, marketing and sales, and service. According to Porter (Walker 2007) the five value-adding stages are supported through efficient procurement systems, integrated technological development, efficient Human Resource Management, and highly supportive management infrastructure. The five stages of FedEx value chain are discussed below in detail.

1. Inbound Logistics

Inbound logistics refer to the process of ordering and handling inputs in the production processes. Getting this fist step wrong could complicate other stages and thus affect their efficiency. This calls for developing processes help set a good foundation for the rest of company operations. With regard to FedEx, most of the inputs in day-to-day operations are ordered as a bulk and then distributed to individual branches (Stanojevic 2004; Coyne & Balakrishnan 2004). There are few inputs that individual centers can order independently given that FedEx is a service company and most of the inputs are branded. The large amounts of inputs needed by the company’s many operation centers are source of discounts that help reduce operation costs. The company’s efficient and wide network ensures that each operation center receives inputs needed to run operations.

1. Operations

The operations stage refers to the process of converting inputs (from stage one) into finished products or services that get presented to consumers. With regard to FedEx, the operations refer to the use of inputs to enable the company ship customer goods and packages from one location to another. Time is most important factor at this stage. In fact, consumers consider on-time delivery as one of the most important factor when choosing a partner.

Logistics companies that fail to deliver on this promise are more likely to loose customers to competitors. Proper handling of customer packages is also considered. This calls for FedEx to embark on developing processes that deliver packages safely and on time. Employees handling various processes should further understand the importance of performing their best in this process.

1. Outbound Logistics

This third stage refers to the process of getting products from company premises to consumers. With regard to a service company such as FedEx, this process refers to the transportation of package from source to destination. The process includes handling, warehousing and sorting of the packages in line with best practices promised to customers. Delivering promises to consumers calls for the company to embark on improving processes on a regular basis. For FedEx, Outbound logistics start at the point where it receives packages or cargo to the point of delivery to consumers. The process further including keeping customers informed about their packages, which is done through tracking systems.

1. Marketing & Sales

This stage involves getting customers informed about the company and its products. FedEx achieves this stage through various routes. First, advertisements of its products are placed on strategic areas and media. The company’s trademark is placed on delivery trucks. Planes that ferry cargo for international customers also have company colors. Company subsidiaries further ensure that company colors are visible in their facilities. These procedures help in keeping customers and consumers well reminded of the

FedEx and products and services. Pricing is made competitively in order to keep the existing companies and attract new ones from competition.

1. Service

This stage includes measures taken to support customers in the process of selecting FedEx products, processing their order, tracking it until they receive. The company has invested greatly in information technology that it has continued to aggressively incorporate in its processes. The Internet has especially been used to keep customers informed about their orders. In addition to the company’s website, it maintains customer support centers that deal with other support issues. The company’s operational centers also serve as one-stop-shop for customers to get as much information as possible.

Question Two

1. The 2000 Branding Strategies

Elaborate re-branding of the company’s products and business lines were undertaken in January 2000. The timing at the beginning of a new century was tactical, considering that customers and the general international freight market was top regard FedEx as a refreshed corporation determined to improve service. This section will highlight three factors, which resulted to aggressive change in the organizations. The major transformation that took place in the organization was change of company name from Federal Express Corporation to simply FedEx. This brand name was further introduced to all four-company subsidiaries. Extending the new brand to all of the company’s independent operations helped to in create awareness to the consumers regarding the change. The independent subsidiaries are better placed to provide the much-needed avenues to pass such information to consumers given that they interact with them on a daily basis. In addition, individual consumers are more likely to see the change in the brand name and thus start associating with it promptly. Though the independent subsidiaries had been operating under FedEx Corporation, they had been acquired or merged with the main company after operating as partners.

This had resulted to consumers and the markets regarding the companies as independent from the FedEx Corporation; branding was therefore directed at changing this mentality (Williams 2004). The company’s customers were therefore getting more assured of receiving the high quality services that has historically been associated with FedEx. Another cause of change could have resulted from the long and mouthful “ Federal Express” that had been used sine the company’s founding in the early 1970s. The main competitors (UPS and DHL) had really short names that were easy for industry consumers to catch. The simplification to FedEx thus placed the company at par with peers. Here was aggressive popularization of “ FedEx” in the market to the point that consumers were left with new brand name in mind—the campaign finally paid of as company began to be referred to as FedEx. The branding further became a process of renewing the company by integrating the subsidiaries into the FedEx brand. Employees in the subsidiaries therefore felt more integrated to the FedEx brand, whereas customers became more aware of the company’s services and products through the subsidiaries—all these indicate that the 2000 branding was mutually beneficial to various FedEx stakeholders.

2. One Point Access

FedEx also embarked on aggressive process of integrating various services that had been operating in different localities under one roof, what is hereby regarded as a one-stop-shop. Previously, services such as sales, billing, automation, and customer service were independently run—all began to be provided in one location. Consumers were no longer required to run in each location to get the services, which was a relief to many. There were two reasons for this arrangement. First, the integration of services was meant to make FedEx improve efficiency that was being threatened by the company's continued increase in size (Candler 2006). The idea was to make FedEx operations operate with greater efficiencies that are seen in small companies. This was a competitive measure that would have led to reduced cost of operating the company. FedEx consumers were the biggest beneficiary, because they could get various services under one roof without having to visit various locations.

Despite the integration, individual service departments were as accorded the appropriate independence to operate and meet consumer needs, which further helped to improve efficiency within the one-access centers. Advancement in information technology was another reason behind integration of operations within the company. Information technology had made it possible for many services to be integrated under one location because of easy access. Information technology, especially the Internet, had further made it possible for consumers to be in a position to get information without visiting or contacting customer services department in the company (Grant 2007; Irwin 2002). In addition, being able to track location of package on transit was reducing the need for larger employee pools to keep customers updated.

The shrinking need of some members of the labor force and respective facilities thus increased the need for consolidation in order to improve efficiency and competitiveness. As a leader in the use of technology in logistics industry, FedEx was again beginning to set the trend as it has been since its inception. Competitors have been playing a catch up game as FedEx continues to invent new ways of improving efficiency in the increasingly competitive industry. The continued increase in cost of energy has been driving factor given that the company is in a transport related industry. Savings done in the integration of services has helped in the process of countering externalities caused by the increased gasoline prices that are outside the company’s control (Riley 206).

3. Low-cost Residential Delivery

The third front of strategies targeted price sensitive market segment. The company responded by establishing the “ FedEx Home Delivery” (De Wit & Meyer, 2004, pp. 660) that was sensitively priced for the purpose of attracting more customers. The product was not disappointing as the product has since enabled FedEx to become dominant player in a market segment that was formerly dominated by competitors. Small and medium sized carriers had especially had larger market share in the home delivery, meaning that the market was open for grabs between the major players. Making the first and bold move was therefore a timely move by FedEx. This was especially achieved through the above-mentioned integration of company services under one roof, which enabled customers to access services at one. The integration meant that consumers who were not well acquitted with a FedEx products and services to embark on learning what the company had to offer.

Other than improving the company’s penetration into various markets, the home delivery services helped bring FedEx closer to the masses that had previously viewed the company service provider for medium and long distance customers. The incentive to enter into the residential market was the increased Internet shopping in the American as well as other developed countries markets (Maglitta 2008). The increase in the number of packages that needed to be shipped to the shoppers was therefore seen as untapped market that was expanding rapidly. True to the FedEx projections, the Internet shopping has increased rapidly since the year 2000, meaning that home delivery service has paid handsomely. Having set up the products at the beginning of the century has further resulted to improving it in accordance to market demands. Tapping customers at the beginning of Internet shopping boom has resulted to them embracing the service due to its ability to deliver on its promises, just like with other FedEx services.

Question Three: Corporate Social Responsibility

FedEx Corporations is passionate about its Corporate Social Responsibility, as indicated on its website and through its much participation in community initiatives at local, national and global levels. The social responsibility at FedEx starts with its employees as indicated by the elaborate process of creating one of the best work areas not just in its country of origin, but internationally (Maglitta 2008). Individual subsidiaries are accorded freedom to run affairs in best means they know how, which has motivated employees therein to be more creative in their day-to-day activities. Starting from inside the corporation develops from understanding that only by keeping employees motivated can the company achieve its goal of meeting customers' needs, as well as meeting its corporate social responsibility goals. FedEx incorporates social responsibility in various levels of company operations. To begin with, the company is keen to hire locals to run and manage local operations.

Being provided with career opportunities in a global company is among the best things to happen to individuals in individual communities. Indeed, this is an act that exceeds any amount of resources that the company can use in contributing to local community's well being. Being provided with careers means that the individuals can embark on improving their lives in best means they know how. These individuals are also better positioned to meet the needs of FedEx customers who they happen to know and understand. In addition, customers themselves can confidently requests for support to FedEx employees. This relationship eventually becomes mutually beneficial between the company, employees and the communities as each get satisfied with the set arrangements. Using employee as part of corporate social responsibility thus helps develop a working culture that aids in the process of improving the company's ability to meet consumer demands. In fact, having this arrangement as part of organizational culture has created a strong foundation for FedEx and its subsidiaries.

FedEx’s local operations centers also play important corporate social responsibility by participating in company activities. The facilities are also used to channel the needed help to the communities. Employing people from these communities mean that they have better understanding factors that could need support. This result to the company investing in projects that would be of great benefit to the communities gives the knowledge and advice provided by employees. The company has accountability measures that help in avoiding possibility of individuals abusing their position in corporate social responsibility issues. At the national level, FedEx makes contributions to national political parties. According to Ng (2006) 55 percent of FedEx’s political campaign contributions go to Democratic Party, whereas 45 percent go the Republican Party. The company thus makes political contributions fairly, unlike some companies of its stature that choose to overwhelm support a single party. This delicate political contribution balancing has resulted to the company being able to develop positive relationship with the two major political parties, which is illustrated by the absence of cries over the company’s hegemony.

Operating in the logistics industry means that the company is subject to the global carbon emissions that are blamed for climate change. There have been calls for players in the global transport sector to consider effects of their operations to the world. Indeed, while transport companies are making billions in profits from operations, rest of the world is left suffering from the climate change. FedEx has for these reasons embarked on incorporating measures of reducing its carbon emissions in its corporate social responsibility. The company has, among other things, started using hybrid delivery trucks on its fleet (Conley 2003). In fact, FedEx was the first in the industry to use the trucks—competitors are staring to use similar trucks in their operations. The hybrid trucks are still few in its fleet but are being increased with time. Gradual increase in hybrid trucks on its delivery trucks will eventually make a dent in the country's contribution to carbon emissions. Other than the hybrid trucks, FedEx is in the waitlist of the Airbus A-380 jumbo jet that is taunted as more fuel-efficient compared to the planes presently in use (Lindsay 2001). The plane is also big in size, meaning that freight companies like FedEx will be able to use fewer planes, which will reduce the number of planes used. The two measures (converting to hybrid trucks and ordering efficient planes) will go a long way of achieving the corporate social responsibility of the company's carbon emission effects.

FedEx is also a major supporter of local and national sporting events, especially in motor sport. The support of motor racing in different leagues and stages develops from fact that FedEx itself is a player in the transport industry, which is closely related to the sport. The popularity of the sport in America and especially in the region that FedEx has its headquarters is also a contributing factor. FedEx's support is also present in other sports at local, state and national levels. These corporate social responsibility attempts have been successful in meeting respective goals of helping reduce the effect of FedEx's operations—some CSR measures have even resulted to communities sharing from the company's success.

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