

Federal express

Business



On the one hand you had Priority One package delivery (price based on weight and distance. Average price in 1976=\$23.56), which guaranteed overnight delivery anywhere in the FCC system, and on the other hand you had Courier Pack (a special 12 in. x 1 1/2 in.

Waterproof, teardrop envelope), which guaranteed overnight delivery of documents or other items up to two pounds anywhere in the FCC system for a fixed price of \$12.50. Rounding out the product line you had Standard Air Service (price based on weight and distance. Average price in 1976=\$12.62), which guaranteed two-day package delivery and Economy Air, which guaranteed three-day package delivery. From a cost perspective, the size of the Courier Pack as well as the manner in which consumers “neutralized” this product in terms of weight also fit FCC.

As stated in the case study, “the variable costs associated with the average Priority One package totaled \$10.61; for the average Standard Air Service package they were \$9.21; and for Courier Pack \$4.25.” Combine this with the fact that consumers were only sending (on average) a pound of goods through the Courier Pack.

While they were being charged for a maximum of two pounds, and you can see how profits could easily start to build up for FCC. The size of the Courier Pack was also advantageous to FCC.

Since the carrying capacity of the Falcon Jet fleet usually “cubed out” (filled the aircraft interior) before they “grossed out” (reached maximum loaded weight allowable) hinted of packages with high volume-to-weight ratios—the average Priority One package weighed 14 pounds—weren’t as

profitable, from a price to volume perspective. Just like commercial airlines are unable to recoup the cost of an empty seat after a plane takes off, FCC could not recoup the cost of “ empty space,” which larger packages occupied on every trip.

Courier Pack allowed the FCC to efficiently use every Inch of cargo space available on their Falcon Jet fleet. In surveying the competitive environment, FCC knew that it had to differentiate itself owing head-to-head with competitors such as Express Mail (USPS), Courier Pack didn't compete on price (because it was almost double that of a 2-b Express Mail package and price sensitivity was pretty low in this market anyway) instead it competed on convenience and value.

The consumer pre-purchases five or more Courier Pass, and when he/she is ready to send something, all they have to do is call FCC. They don't have to run to the post office and wait on line, which was a drawback of Express Mail. From a packaging standpoint, Courier Pack's waterproof, teardrops envelope offered a unique physical shipping method.