

Appendix 1 Company Cases

Company Case 1

FedEx: Making Every Customer Experience Outstanding

When you have a package that absolutely must arrive at a distant location within 24 hours, what's the first company that comes to mind? More than likely, it's FedEx. Just as Google is used as a verb for Internet search, FedEx is often synonymous with overnight shipping, as in "I'll FedEx it to you." From its humble beginnings in 1971, FedEx has grown into a \$46-billion-a-year global giant. Every day, 325,000 FedEx employees deliver 11 million packages via 673 aircraft and 100,000 motor vehicles, connecting more than 99 percent of world's GDP. How did FedEx become so successful? Through its single-minded focus on the customer experience.

Starting with a Customer Need

Even in this era when Internet start-ups get all the press for amazing entrepreneurial stories, FedEx still stands as one of the greatest business success stories of the past 40 years. It all started in the 1960s when Fred Smith, FedEx's founder and current chairman and CEO, was an undergraduate student at Yale, paying his way through school working as a charter pilot. As he crossed paths with corporate pilots, the young Smith saw a trend emerging. Computers and other high-tech components were rapidly finding their way into the business world. But when those things broke down, companies had difficulty getting urgently needed parts to the right places quickly. There were no services for regional or national overnight shipping. In fact, companies often used their own corporate planes as internal courier systems—at great expense—to cart around parts in an effort to minimize downtime.

Smith wrote a paper for an economics class at Yale, proposing the idea of a national overnight-delivery service (reportedly, the professor gave him a C on the paper, calling the idea infeasible). But it wasn't until after college and a tour of duty in the Marine Corps that Smith decided to actually do something about the idea. Smith knew that the need for businesses to move packages fast would only grow with time. With that insight, the FedEx Corporation (Federal Express back then) was born, with eight aircraft providing overnight delivery service to 35 cities.

Putting the Customer First

More than just a good idea at the right time, one thing has kept FedEx growing and thriving over the past four decades. From the beginning, FedEx was built on a foundation of obsessive

customer focus. "If people were going to use FedEx in lieu of having incalculable amounts of money tied up in inventories, it 'absolutely, positively' had to be there when promised," said Smith in a recent interview. Hence came FedEx's first positioning slogan—FedEx: When it absolutely, positively has to be there overnight.

To ensure that FedEx could deliver on that promise, Smith pursued the goal with a "no holds barred" vigor. He began FedEx with a nationwide clearinghouse infrastructure and its own fleet of planes and trucks, giving the company complete control. But while complex and expensive, those attributes were conventional. It was the unconventional elements that characterized the boundless pursuit of customer service that formed the core of the FedEx brand.

For example, when FedEx first started shipping packages, no one had ever printed "multiform, sequentially numbered" labels that could be attached to items and machine-read. And no other shipper had even contemplated using small, hand-held computers with barcode-scanning capabilities to communicate shipping information on a real-time basis. No company was tracking inventory on the move, let alone coordinating it with stationary inventory. It was these kinds of innovative capabilities that allowed Smith and FedEx to reliably move packages from one city to another in such a short time. These technologies not only made FedEx's service possible, they also gave rise to companies such as Walmart, Dell, and countless others.

The tenacious pursuit of fulfilling customer needs in FedEx's early days led to what is known at the company today as the "Purple Promise," a promise committed to memory by every FedEx employee: "I will make every FedEx experience outstanding." Fulfilling this promise requires elements of good service, such as treating "customers in a professional, competent, polite, and caring manner" and handling "every customer transaction with the precision required to achieve the highest quality service." But the Purple Promise goes far beyond traditional service. It requires all employees, regardless of their job titles, to recognize that what they do affects how customers perceive the FedEx brand.

Consider how FedEx fixed the problem of its "leaning tower of packages." For years, FedEx management thought of the majority of customers at its World Service Centers and FedEx Office locations as "Frisbees"—customers who step in, drop off packages, and step back out as quickly as possible. Management also thought it was doing a good job of serving these customers. However, recently, company satisfaction surveys began to reveal that not all customers were pleased with their experiences when dropping off packages.

FedEx quickly commissioned a study, which revealed that only about 10 percent of its drop-off customers were, in fact,

"Frisbees." The other 90 percent fell evenly into three different behavioral groups. The most intriguing of these groups was the "Confirmers." In a word, Confirmers were "uneasy." They entered a FedEx location well-prepared, with packages wrapped and ready to go. They had a clear sense of how much shipments would cost and how long they would take to deliver. Still, as they dropped off packages, they were filled with worry that something could go wrong with the shipment. That worry was compounded by the "leaning tower of packages"—FedEx-speak for the piles of packages already stacked behind the counter. For employees, there was no concern in the world that these packages would reach their destination on time. For the Confirmers, however, seemingly haphazard piles of packages sent a visual cue that something in the process was broken, increasing the chances that their packages might get lost. These uneasy customers were on the verge of taking their shipping business elsewhere.

FedEx's Purple Promise drove the company to make a simple, system-wide change that put the minds of Confirmers at ease. The company placed a wall behind the counter with five presort windows. Employees were then trained to thank the customer, turn around, and slip the package through the window that corresponded to the type of service the customer had purchased. For the Confirmers, this careful and organized processing of packages was a visible confirmation that packages were safely on their way.

The Purple Promise Today

A customer-centric culture requires that a company be flexible and dynamic, modifying its strategies and tactics to fit consumer trends. One example of how FedEx remains open to customer-centered change is the degree to which it has embraced social media. At FedEx, the customer service function is responsible for delighting customers through excellent and timely service. Given the omnipresence of mobile devices and social media in consumers' lives these days, the customer service function at FedEx often pursues the goal of delighting customers through social channels, including social networks such as Facebook and Twitter, blogs, and live chat.

Marketing through social and mobile media is all the rage these days. But at FedEx, it's more action than talk. And FedEx goes beyond just listening to customers; it engages them and helps solve their problems. Take the example of Nicole Snow, a now-loyal FedEx customer who owns a small business in Maine called "Darn Good Yarn."

[Nicole Snow] is in a remote area with few shipping options, and extreme weather makes running her home business more difficult. One day she reached out to FedEx on social networks and asked for help in getting her supply chain set up. The team responded immediately and helped her solve the problem.

Snow's story is fascinating. She hires women in India and Nepal to make yarn out of reclaimed materials like silk. She is nurturing a supply chain that reaches halfway across the globe as well as sourcing from local businesses in Maine. She is highly engaged in the community through activities like teaching knitting classes. "I take materials that otherwise would be thrown out in India and Nepal and import them into Maine and then FedEx

them all over the world to my customers. I know that I can get something from India and to my house in the middle of Maine in three days. That's amazing!" Snow is now a huge FedEx fan and advocate. She shares stories of excellent FedEx support everywhere she goes.

Chinks in the Armor

Despite FedEx's obsessive customer focus, with 11 million packages flying all over the planet every day, there are bound to be some glitches now and then. And while social media have been a tremendous blessing, they can also be a curse. In the past few years, FedEx has had its share of videos go viral showing employees mishandling packages. For example, there's the one of a Maryland FedEx driver, captured by the resident's security camera, throwing a package onto a front porch from a distance of about 20 feet. Then there's the FedEx truck driving down a Colorado highway two days before Christmas with its rear door wide open and packages falling out onto the highway. And who can forget the FedEx driver who tossed a package containing a Samsung computer monitor over a six-foot iron fence onto a customer's driveway, with the FedEx truck clearly visible in the background.

As if employees caught on video aren't bad enough, a Philadelphia FedEx driver was caught stealing iPhones out of customers' packages. He was charged, tried, and found guilty to the tune of \$40,000 worth of stolen merchandise. On a corporate level, FedEx was caught overcharging some business customers by as much as \$3 per package over a three-year period. The company settled the ensuing lawsuit for \$21.5 million.

Although none of these actions are justifiable, the fallout would have been far worse had it not been for similar bad press for competitor UPS, including videos of drivers throwing packages, making obscene gestures at a security camera, and even stealing iPads off porches (delivered by FedEx, no less). In FedEx's case, the company took responsibility when it needed to, fired offending employees, and made restitution for damages. In the case of the Samsung monitor-throwing incident, the aggrieved customer even received a personal visit and apology from FedEx's senior vice president of operations. "This goes directly against all FedEx values," declared the executive.

Today, FedEx continues to focus on its goal to "make every FedEx experience outstanding." According to one recent company statement, "Everyone at FedEx is committed to placing customer needs at the center of everything we do." The pledge seems to receive more than just lip service. FedEx routinely ranks among the top 10 of both *MSN Money's* "Customer Service Hall of Fame" and *Fortune's* "World's Most Admired Companies." With founder Fred Smith still at the helm after more than 40 years, it appears that FedEx intends to be around for the long haul by putting customers first.

Questions for Discussion

1. Give examples of needs, wants, and demands that FedEx customers demonstrate, differentiating these three concepts.
2. Describe FedEx in terms of the value it provides customers. How does FedEx engage customers?

3. Evaluate FedEx's performance relative to customer expectations. What is the outcome of this process?
4. Which of the five marketing management orientations best applies to FedEx?
5. With increased competition today, how can FedEx continue to be competitive?

Sources: Christopher Tkaczyk, "World's Most Admired Companies," *Fortune*, March 1, 2015, pp. 97–104; "Driver Alerts FedEx Delivery Man to Packages Spilling from Open Truck," *CBS Local*, December 23, 2014, [http://denver.cbslocal.com/2014/12/22/driver-alerts-fedex-](http://denver.cbslocal.com/2014/12/22/driver-alerts-fedex-delivery-man-to-packages-spilling-from-open-truck/)

[delivery-man-to-packages-spilling-from-open-truck/](http://denver.cbslocal.com/2014/12/22/driver-alerts-fedex-delivery-man-to-packages-spilling-from-open-truck/); Karen Aho, "2013 Customer Service Hall of Fame," *MSN Money*, <http://money.msn.com/investing/2013-customer-service-hall-of-fame>; Ekaterina Walter, "The Big Brand Theory: How FedEx Achieves Social Customer Service Success," *Social Media Today*, May 27, 2013, www.socialmediatoday.com/ekaterinawalter/1494726/big-brand-theory-how-fedex-achieves-social-customer-service-success; Harley Manning and Kerry Bodine, "How FedEx Revamped Its Brand by Fixing Its 'Leaning Tower of Packages,'" *Fast Company*, August 21, 2012, www.fastcompany.com/3000554/how-fedex-revamped-its-brand-fixing-its-leaning-tower-packages; "Online Extra: Fred Smith on the Birth of FedEx," *Business Week*, September 19, 2004, www.businessweek.com/stories/2004-09-19/online-extra-fred-smith-on-the-birth-of-fedex; and <http://about.van.fedex.com>, September 2015.