

FedEx SWOT Analysis

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Abstract: This study delves on the thorough analysis of the FedEx company regarding its strength, weaknesses, opportunities and threats that is known as SWOT analysis. The need for SWOT analysis is to determine the methods employed by the company and the respective values of the methods used that made FedEx successful in domestic and international domains along with the various issues related to the competition within the industry.



Introduction: FedEx Corporation is one of the key players in the market of courier delivery services where UPS and DHL are also thriving. The company can claim success in other categories of the industry such as leading the acquisition strategy with the emerging companies that cater to the same service or small businesses that can be potential competitors. According to market experts, FedEx was able to grow its market share through its strategic acquisitions of other companies. Through this, the company has gained leverage by owning their working systems, customers database and advance technologies (Schmidt, 2015). Some of its popular acquisitions are American Freightways Corp., ANC Holdings Limited, and GENCO that helped the company to expand its e-commerce presence (FedEx, 2016).

To prove its success, the company has reported that it was able to generate a total revenue of US\$47.45 billion in 2015 (Smith, 2016). It operates under the total of US\$4.26 billion and a total net income of US\$2.57 billion as of 2015. FedEx's total assets amounted to US\$37.06 billion with a US\$17.1 billion as total equity as of 2012 (Smith, 2016). Although the company operates to serve the American territories during its initial years, it was able to expand its operation on worldwide scale with a total of 300,000 employed workers in 2012, suggesting its successful operation over the years (Smith, 2016).

SWOT Analysis Strengths Weaknesses Threats Opportunities

Strength:

Following are the strength of FedEx:

1. The first strength for globalizing is strategic acquisitions by the company. The company is strategically acquiring the organizations which are offering the individual pieces needed for global distribution. Global distribution is essential for FedEx for making itself globally recognized.
2. The FedEx is making it assure that its deliveries should be certain and confirmed by utilizing is support and help of its active transportation and logistics services.
3. Also one of the strength of FedEx is to make the timely deliveries. The goods or parcels should be delivering on time.
4. Good marketing is also the strength of FedEx globalization strategy.
5. For good marketing the company is recognizing and identifying still not targeted markets of the world and filling them by providing them their efficient services.
6. The company is striving and making efforts to improve its services. Also it is providing variant options to its customers in order to facilitate them.
7. Corporate culture and workforce is also considered as one of the strength of the company.
8. People are working on great values and norms. These values include integrity, responsibility and loyalty. Also the company is focusing to provide innovative services, which is also included in organizational culture.
9. The company is providing best training to its employees. Also the compensation provided to the employees is competitive.
10. The FedEx has titles like “100 Best Companies to Work For” and “World’s Most Admired Corporations” by Fortune. These titles will support the company to make it globally recognized.

11. The company has strong name recognition. It uses various international airports as distribution hubs.

12. The company has agreements like USPS Agreements: Priority Mail and drop boxes.

Weaknesses:

The weaknesses identified:

1. The ZapMail fax service is facing losses of \$190 million. This loss in the company will surely effect the other operations of the company.
2. There is competition in heavy weight distribution market. Only by air is not the only source for distributing the heavy goods. There are other means of transportation for transporting the heavy goods especially by sea. Also by sea is a cost effective method of transporting the goods.
3. The fixed cost for global expansion is higher. The global infrastructure is difficult to build and maintain. This infrastructure includes:

Threats:

The threats FedEx is facing during making the company globally recognized are as following:

1. The biggest threat for FedEx is its competitors which include US Postal Services, UPS, Emery, DHL, RPS, electronic-document delivery services
2. The cost of employees' salaries and also the fuel cost is rising.
3. The economic conditions of different countries are in crisis.
4. The faster transportation i.e. jet fuel has high cost of fuel. It is more expensive.
5. The company has following threat related to lawsuits with drivers
 - Not recognizing them as employees but as "independent operators"
 - 50 class action lawsuits in 40 states

- IRS investigation due to misclassification of workers for \$319 million
- If classified, large increase in company costs

Opportunity:

The opportunities available to FedEx are as following:

1. The company should invest in IT. The company should enhance its IT network. The advancement in information technology will support the process of globalization of FedEx.
2. The company has the opportunity to install computer terminals with tracking system “FedEx Ship Manager”.
3. The company has to improvise its operations to provide better coverage in order to compete with UPS and DHL. The company has many available resources and many opportunities which will give it competitive advantage.
4. The company has to make deals with companies providing fuel. By making deals with fuel companies FedEx will be able to get cost effective fuel. It will reduce its overall cost and FedEx can charge competitive prices for its services.
5. The company has to negotiate between products and delivery.

- 1. Evaluate the methods used by FedEx to grow domestically and internationally. Why do you think that the company initially had problems in its global operations?**

Strategy Overview:

For expanding and growing domestically and internationally the organization has adopted that strategy of acquisition. The company will be strategically acquiring the organizations which are offering the individual pieces needed for global distribution. As a result of these acquisitions the company will be able to provide services on large scale and globally.

Three Key ingredients of acquisition are as following:

1984 Gelco International

1988 Tiger International

1998 Caliber System

Recent acquisition

2006 ANC Holding

2007 Tianjin Datian Group

2007 Prakash Air Freight

2007 Flying Cargo

Other acquisition

Tower Group International

American Freightways

Watkins Motor Lines

Kinko's

FedEx have following competitive advantages:

1. It is the only US cargo service which has aviation rights for Chinese trade centers
2. It is first express service which has right to provide services to India with direct international air routes
3. FedEx has shown its diversification by introducing new international services. It is also involved in E-Commerce.

2. What are the major SWOT considerations in FedEx's attempt to continue its growth and dominance in the domestic and global express delivery markets?

Strengths:

1. The company has branded itself as one-stop integrated business.
2. The company has enough financial resources to meet the global changes.
3. The company has acquired proprietary technologies.
4. The company hires best employees. The company trained them well and offers them good compensation packages.
5. The company employees are loyal and efficient in delivering effective services.

Weaknesses:

1. The company is over dependent on employees and fuel.
2. The employees are non-unionized therefore difficult to negotiate with them.

Opportunities:

1. The company has to improvise its operations to provide better coverage in order to compete with UPS and DHL. The company has many available resources and many opportunities which will give it competitive advantage.

Threats:

1. The competitors like DHL etc. are very active in Asian market. The market share of DHL in Asian market is 32% whereas the 22% is share of FedEx.
2. The external environment which includes technological advancement is threat for Fed Ex.

3. Comment on the competitive landscape among FedEx, UPS, and DHL. How can FedEx make inroads into UPS's dominance in the ground delivery market or DHL's dominance in international express delivery?

Competitive landscape among FedEx, UPS, and DHL is as following:

Fuel Prices:

Fed Ex is more defenseless against the increase in prices of fuel. Also many of the operations of FedEx are dependent on express routes (jet fuels).

Employment Structure:

The drivers are considered as independent owners, workings as contractors. But the drivers should wear the uniform, buy company scanners, follow the dictated working hours and will not get employed to other companies during the employment with UPS.

Employ the Contractors:

By employing these contractors the cost might increase however there will be less lawsuits, the salaries for employees will be decreased and the reputation as an employer will be better.

In conclusions FedEx is leading the markets for express services in emerging markets whereas DHL is leader of international express market outside United States.

Also FedEx make inroads into UPS's dominance in the ground delivery market or DHL's dominance in international express delivery by enhancing its presences in the emerging markets and also by using one-stop shopping as a competitive advantage.

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