

FedEx started as Federal Express in 1971 and made its first delivery in 1973 with 14 aircrafts and 389 employees, successfully delivering 186 packages.³⁰ The company was founded by Frederick W. Smith who first presented his idea for the shipping company in a term paper for a business class at Yale University in 1964. Smith did not do well on the paper as his professor did not see the need for overnight package deliveries. But more than 45 years later, Smith has clearly proved his professor wrong. FedEx now employs more than 325,000 employees and uses its 652 aircraft and more than 100,000 trucks to ship on average 10.5 million packages a day in over 220 countries.

Managing such a large enterprise with so much complexity clearly requires effective planning. Similar to other shipping companies, FedEx engages in significant planning to prepare for Christmastime deliveries, the company's peak season. FedEx typically meets with major shippers and merchandisers early each year to estimate sales and make plans to meet holiday shipping demands. FedEx's operational plans each year have reflected the increasing growth in consumer online shopping that directly impacts shipping companies.

In 2013, FedEx's plans were challenged during the holiday season. After taking on more than 25,000 seasonal workers to meet the heightened demand, FedEx failed to deliver a significant number of packages by Christmas Day. Record online sales went well beyond FedEx's estimates. Cyber Monday, the biggest online shopping day of the year, boasted a 20.7 percent increase in sales over the previous year. And sales the first weekend before Christmas were up 37 percent over the previous year. While this last-minute surge in online sales and a large snowstorm both impacted FedEx's ability to deliver packages on time, customers were outraged and blamed FedEx.

In 2014, FedEx's planning in response to their 2013 struggles met the mark. The company hired 50,000 seasonal workers and was able to successfully deliver their packages on time. However, the company's plans for the peak season once again fell short in 2015. Despite investing \$1.6 billion in capacity and automation projects to support the expected growth and hiring 55,000 seasonal workers, FedEx again missed the Christmas Day deadline for many customers. Package volume went well beyond the predicted 12.4 percent increase over the previous year. Again, many of the delays were due to inclement weather and a late surge of holiday online shopping, but customers held FedEx responsible. FedEx was able to curb some customer complaints through employees who volunteered to work on Christmas Day to finish deliveries, but the social media outrage was rough on FedEx, with many claiming their failure to deliver packages on time ruined Christmas celebrations.

As FedEx looks forward to the next holiday season, they must start the planning process again. While online shopping is likely to continue to grow, there is a limit to how much expansion a shipping company can do in one year. FedEx must continue to work with online retailers to estimate shipping volume and also make sure retailers are making realistic promises to customers on shipping. FedEx is also considering asking retailers to pay more for services to help offset the cost of the required expansion needed to meet the growing demands for shipping of online purchases.

★ DISCUSSION QUESTIONS

- 8-14. How can the planning process help FedEx meet the company's goal of meeting on-time delivery promises?
- 8-15. FedEx noted that inclement weather and last-minute online sales surges impacted the company's ability to deliver packages by Christmas. How could planning help overcome unexpected challenges such as these in the future?