How Greater Access Is Changing the World:
FedEx: Powering Global Access
In the current economy, people and companies want goods and components from around the world, and they want them in the timeframe that they choose. FedEx has contributed to building and matching these expectations not only through its own pioneering activities, but also through the replication of its model and activities by other businesses and, indeed, across much of the economy.

How FedEx Catalyzes Access

- **FedEx catalyzes access by collapsing time and space and by increasing information.** The three variables that define access – time, space, and information – are also the key elements around which FedEx’s operations revolve. Redefining the boundaries of time, space, and information, therefore, has always been a central objective of the company. At the same time, the global economy has moved rapidly to both require and reward successful adaptation by individuals, companies, and countries to a fast-paced, geographically amorphous, and information-rich environment.

- **Through its innovations such as applying the “hub and spoke” system to express transportation, FedEx has created a “global access network.”** FedEx founder and CEO, Frederick W. Smith, introduced the innovative “hub and spoke” system of collection and distribution to the transportation industry. From this beginning, FedEx has consistently and assertively forged ahead in extending the reach of its infrastructure, both physical and digital, in order to provide customers with a truly global access network. The explosion of access to goods and information through FedEx is demonstrated in the following charts.
FedEx: Powering Global Access
Executive Overview

FedEx and Nations: Providing Connections

FedEx has continuously broadened its international system to provide access to customers worldwide. As one of the early companies to recognize the inevitability and potential of global manufacturing and supply chains, FedEx began building its global access network more than 25 years ago, when it inaugurated its first international service to Canada. Today, it provides an unprecedented level of access to people worldwide, moving goods door-to-door among 220 countries and territories in just one to three business days. Reflecting the demand for access services, the rate of growth of international customers who have established accounts with FedEx has been steep and strong, as indicated in the chart above, which illustrates growth in non-U.S.-based accounts as a percentage of all customer accounts.

FedEx has consistently championed expanded global access through “open skies” and deregulation. By advocating for international aviation deregulation, FedEx has played a critical role in linking global markets, providing numerous economic benefits for nations, including lower airfares, expanded air service and choice in Europe, and more investment, trade, and jobs in China.

FedEx has worked to move goods faster across national borders, thereby decreasing business costs and promoting economic growth. Over the years, FedEx has made a strong case to the U.S. Trade Representative and the World Trade Organization on the importance of harmonizing customs regimes across the globe. Moreover, in advance of comprehensive customs harmonization, FedEx has spearheaded other innovations, such as FedEx Global Trade Manager®, that facilitate the movement of goods across national boundaries.

* Development Research Council of China/Campbell-Hill Aviation Group, as cited in “FedEx Expands Leadership in Asia Pacific with Plan to Build Region’s Largest Air Cargo Hub in Guangzhou, China” (July 13, 2005 FedEx press release).
Accelerated worldwide access, provided by companies such as FedEx, drives global growth, including broad economic effects as well as direct, specific impacts related to the company’s decisions and plans. Among the major contributors to growth in China, for example, are exports which have been facilitated by access-related gains (e.g., liberalization of trade regimes).

**FedEx and Businesses: Expanding Reach, Innovation, and Profitability**

- **FedEx provides companies with broader market reach.** FedEx-provided access enables companies to reach customers and sell to wider markets, both nationally and internationally. Highly perishable or personally tailored products used to be limited to local markets; today such products can be offered to customers globally.

- **FedEx’s access services enable businesses to improve their supply chains.** Profitable and competitive businesses are supported by strong supply chains that are efficient, flexible, and adaptable in changing markets. FedEx provides a wide range of cutting-edge access services that help companies dramatically increase supply chain efficiency and agility.

- **Access generated by FedEx reduces inventory and increases profitability.** Businesses are increasingly able to manage the flow of inputs and finished products efficiently and with more certainty, eliminating the need to carry large stocks of inventory as “insurance.” The U.S. economy-wide inventory-to-sales ratio fell from 1.67 in 1982 to 1.37 in 2003, a decrease to which FedEx’s advanced logistics management and information technology services has contributed.

**FedEx and People: Offering the Choice of What, Where, When, and How**

- **FedEx provides access to individuals in critical moments and in challenging environments.** The FedEx network allows rapid distribution of supplies required for human survival, as well as connectivity in times of great distress and need, as has been demonstrated through the December 26, 2004 tsunami affecting Southeast Asia and through Hurricane Katrina.
FedEx satisfies consumers’ desires for niche products, as the ritual uncorking of Beaujolais Nouveau on the third Thursday of November in countries from France to Japan attests.

Businesses’ access to goods, services, and information exponentially multiplies benefits to individuals. As businesses incorporate more and more access-related advances into their processes, customers benefit from more reliable availability of goods and quicker access to innovative products.

Expanded choices for how and where individuals can attain access mean greater convenience and personalization of service. The range of access options available from FedEx increases continuously, with customers now able to choose dates and times that are most convenient, as well as the type of signature necessary for delivery.

FedEx and the Future of Access

All companies in the FedEx family generate physical and digital access under the conditions of reliability, transparency, flexibility, and accelerating speed. The significance of access is demonstrated by the rapid growth of resources devoted to it, as well as the range of goods, services, and business models that are integrally based on access. History has demonstrated that nearly all industries can rise or fall in importance, but it seems likely that the demand for greater access will continue to grow unabated, as will the contribution of FedEx to bringing the benefits of access to people, businesses, and nations.
CONTENTS

Introduction
How FedEx Catalyzes Access 1
FedEx and Nations: Providing Connections 6
FedEx and Business: Expanding Reach, Innovation, and Profitability 11
FedEx and People: Offering the Choice of What, Where, When, and How 15
FedEx and the Future of Access 19
Introduction

From its inception, FedEx has been driven by the goal of generating and providing its clients with greater access to physical objects and information. Since the company began operations in 1973, fundamental shifts in the way people, businesses, and nations conduct their activities have taken place. Some of these shifts have been spurred by deep economic changes facilitated by the increased access that FedEx has generated. In other words, FedEx has played a significant role not only in accelerating changes in the economic environment, but also in creating change through the company’s innovations.

In the current economy, people and companies want goods and components from around the world, and they want them in the timeframe that they choose. FedEx has contributed to building and matching these expectations through its own pioneering activities as well as through the replication of aspects of its model and activities by other businesses across the logistics and express delivery industry and, indeed, across much of the economy. Today, with clients that include millions of individuals and many thousands of companies in hundreds of countries, FedEx enables unprecedented levels of access and, through this access, produces immediate opportunities for people, business, and nations.

The conceptual framework describing the foundations and core components of access and the relationships between access and its benefits for people, business, and nations are detailed in four reports prepared by SRI International on behalf of FedEx Corporation. These documents provide the analytical background for understanding the importance and changing nature of access and its opportunities. Shifting from these broad perspectives on the concept of access, this report focuses exclusively on the direct impacts and benefits generated by FedEx’s continual quest to create and expand access.

How FedEx Catalyzes Access

FedEx catalyzes access by collapsing time and space and by increasing information.

The three variables that define access – time, space, and information – are also the key elements around which FedEx’s operations revolve. Redefining the boundaries of time, space, and information, therefore, has always been a central objective of the company, and FedEx has relentlessly endeavored to collapse

---

time and space and to increase the information available to both employees and customers. At the same time, the global economy has moved rapidly to both require and reward successful adaptation by individuals, companies, and countries, to a fast-paced, geographically expansive, and information-rich environment. The table below details the new realities of today’s economy with respect to time, space, and information, as well as the FedEx approach to the challenges and opportunities that they present.

<table>
<thead>
<tr>
<th>Changes in Access Variables</th>
<th>FedEx’s Approach to Access Variables</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Time</strong></td>
<td>Time sensitivity, not transportation, is the operating theme of FedEx’s activities. All equipment, technologies, human resources, and systems are combined to accelerate velocity, not only to collapse time for delivery to a minimum, but also to provide time-definite delivery on the date and/or hour that the customer requires.</td>
</tr>
<tr>
<td>In the past, decreasing the cycle time required to complete a transaction was considered by most to be a luxury. In the current “real-time” economy, collapsing transaction time is a necessity. Physical objects must reach their destination in a customer-responsive timeframe, and information must be available instantaneously.</td>
<td></td>
</tr>
<tr>
<td><strong>Space</strong></td>
<td>A hallmark of the corporation is the continuous collapsing of space through the extension of FedEx’s global network and through a reduction in the amount of time needed to move an object around the world. The “access space” covered by FedEx has multiplied from 25 cities in 1973 to 220 countries and territories today.</td>
</tr>
<tr>
<td>Space represents the distance between the entity seeking an object and the object being sought, i.e., the physical locations of demand and supply. With access, the economic constraint of geographical distance is reduced dramatically, allowing new patterns of economic development to emerge.</td>
<td></td>
</tr>
<tr>
<td><strong>Information</strong></td>
<td>FedEx has championed access to information not only internally, but also through availability to its customers. FedEx’s approach of rapid deployment of information throughout the entire supply chain has revolutionized business models. In addition, FedEx Kinko’s core business functions revolve around expansion of digital access and transfer, reproduction, and delivery of information goods.</td>
</tr>
<tr>
<td>Information is anything that reduces uncertainty in decision-making. Information thereby enables action. The faster the availability of relevant, trustworthy information, the faster and better the results, representing an important change from the past action-decision context.</td>
<td></td>
</tr>
</tbody>
</table>
As a result of FedEx’s efforts to collapse time and space and increase information, people and businesses in large parts of the world today enjoy unequaled ability to obtain physical objects – documents, equipment, spare parts, medical devices, consumer goods, etc. – with fewer concerns about the time or cost of transportation, and with much greater levels of information (and thus assurance) about a package as it moves to its destination. The following chart depicts vividly the explosion of access that has taken place since 1973, as illustrated by the number and average price of deliveries made by FedEx.

In keeping with CEO Frederick W. Smith’s belief that “the information about the package is as important as the delivery of the package itself,” FedEx endeavors to keep its information and communications systems as robust as its ability to physically move items from place to place. Accordingly, the levels of information provided to FedEx customers about the packages entrusted to the company for delivery have increased in parallel with the rapid increases in deliveries made. Through the use of cutting-edge information technologies, FedEx provides customers with near real-time updates on shipments, greatly enhancing reliability and predictability of access.

In addition to expanded volume of information about packages, FedEx has played a significant role in multiplying the types of information that are now routinely provided to customers, whether businesses or individuals, as well as to
employees. The following table highlights some of the information advances in which FedEx was a pioneer.

<table>
<thead>
<tr>
<th>Year</th>
<th>Innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979</td>
<td>COSMOS® – Customer, Operations, Service, Master Online System – a centralized computer system to manage vehicles, people, packages, routes, and weather scenarios on a real-time basis – is launched. This is the <strong>first centralized computer system in the industry</strong> used to keep track of all packages handled by the company.</td>
</tr>
<tr>
<td>1980</td>
<td>FedEx implements DADS® – the Digital Assisted Dispatch System – to coordinate on-call pickups for customers. DADS® is comprised of tiny terminals, installed in vehicles, to digitally transmit orders and guide couriers to their next pickup.</td>
</tr>
<tr>
<td>1984</td>
<td>The <strong>first PC-based automated shipping system</strong>, later named FedEx PowerShip® is introduced.</td>
</tr>
<tr>
<td>1986</td>
<td>FedEx SuperTracker®, a hand-held bar-code scanner system that captures detailed package information, is launched.</td>
</tr>
<tr>
<td>1994</td>
<td>FedEx.com becomes the <strong>first transportation website</strong> to offer package status tracking, enabling customers to conduct business via the Internet.</td>
</tr>
<tr>
<td>1996</td>
<td>FedEx interNetShip® (now called FedEx Ship Manager®) provides customers with the <strong>first Internet-based service for processing packages</strong>.</td>
</tr>
<tr>
<td>2000</td>
<td>FedEx launches new customer technology solutions including a redesigned website to integrate express and ground functionality, FedEx e-Commerce Builder®, FedEx Global Trade Manager® and FedEx Ship Manager®.</td>
</tr>
<tr>
<td>2001</td>
<td>FedEx InSight® is introduced, becoming the <strong>first web-based application to offer proactive, real-time status information</strong> on inbound, outbound and third-party shipments.</td>
</tr>
<tr>
<td>2002</td>
<td>FedEx launches the <strong>first online “landed cost” application</strong> for estimating duties and taxes assessed on international shipments.</td>
</tr>
<tr>
<td>2003</td>
<td>FedEx Claims Online® is introduced, making it the <strong>first tool of its kind in the industry</strong>.</td>
</tr>
</tbody>
</table>
Through its continuous innovations, FedEx has created a “global access network” that provides unparalleled access for its customers.

CEO Frederick W. Smith created Federal Express Corporation for the purpose of expanding access through overnight express delivery. Smith applied the innovative “hub and spoke” system of collection and distribution, which allowed for the efficient coverage of large numbers of geographic areas. Within the hubs themselves, FedEx aggressively applied new technologies to enhance the capabilities required to collect, sort, and distribute millions of packages within a few hours. FedEx made this possible by becoming a pioneer in the application of an information-based solution – bar-code electronic tracking – leading not only to one of FedEx’s first giant leaps ahead for its hub and spoke system, but also to a revolution in value chain management for most industries, including manufacturing, logistics, and retailing.

More recently, FedEx has consistently and assertively forged ahead in establishing both hidden and visible structures that enable it to provide customers with a truly global access network. In the background are FedEx’s extensive investments in regional hubs in Anchorage, Subic Bay, and Paris. These investments permit customer-serving innovations such as AsiaOne® (which provides next-business-day delivery by 10:30 a.m. among major Asian trade centers) and EuroOne® (an intra-European overnight service). Not content with these capabilities and still endeavoring to expand access, FedEx recently announced plans to build Asia’s largest air cargo hub in Guangzhou in order to serve the rapidly growing trade between China and its Asian neighbors, as well as with North America and Europe. At the same time, FedEx’s visible infrastructure has been brought closer and closer to the customer, whether business or individual. Starting with the first FedEx drop boxes in 1975 and continuing to the 2004 acquisition of Kinko’s, FedEx has lengthened its reach to provide ever greater and more convenient access for customers.

Aside from physical infrastructure, FedEx also has been in the vanguard of creatively using the Internet to connect customers with the company’s services. Recognizing early that the Internet could serve as a key outward-reaching “spoke” in the system that enables customers to attain access, FedEx today integrates physical and virtual hubs and spokes to create its global access network. The importance of virtual systems to both FedEx and its customers is evident from the following:
Today, fedex.com hosts nearly 15 million unique visitors per month.
The website handles more than 3 million package tracking requests per day.
Electronic transactions account for almost two-thirds of the more than 6 million shipments delivered by FedEx companies each day.
70 percent of the company’s U.S. sales revenue is generated by electronic transactions.

FedEx and Nations: Providing Connections

As one of the early companies to recognize the inevitability and potential of global manufacturing and supply chains, FedEx Express began building its global access network more than 25 years ago, when it inaugurated its first international service to Canada. Over the years, FedEx continued to expand its services globally through company acquisitions, expansion of landing rights, and construction of new hubs around the world.

As indicated in the following chart, FedEx’s network now links 220 countries and territories around the world, serving markets that comprise 90 percent of the world’s gross domestic product. It provides an unprecedented level of access to people worldwide, moving goods door-to-door among these 220 markets in just one to three business days. By 2002, FedEx's reach extended to virtually every American, and in the newest economic frontier, China, FedEx already serves more than 200 cities and has plans to add 100 more during the next few years.
Over time, FedEx has broadened access to nations not only by increasing the number of countries and cities which it serves, but also by continuously upgrading the types of services provided, such as expanding next business day service between countries for time-critical shipments. Simultaneously, FedEx has worked to extend to its worldwide customers services such as time-definite delivery, money-back guarantees, and availability of information through its shipment tracking system, which are the hallmarks of its services to U.S. customers. Reflecting the demand for such services, the rate of growth of international customers who have established accounts with FedEx has been steep and strong, as indicated by the growth in non-U.S.-based accounts as a percentage of all customer accounts.

FedEx has consistently championed expanded global access through “open skies” and deregulation.

FedEx's efforts to expand global access have not been achieved without addressing significant obstacles. Historically, government regulations and restrictive air landing rights in many countries have posed barriers to developing new international transportation routes. Since the early 1990s, FedEx has been an active champion of “open skies,” encouraging countries to open their markets to international aviation services.
FedEx has worked tirelessly with U.S. officials and foreign governments to explain the economic benefits of liberalization of aviation regimes, and has encouraged aviation-securing freedoms that are beneficial for both cargo and passenger customers, i.e., in moving both goods and people across borders. In particular, FedEx successfully advocated for the U.S. government’s inclusion of air cargo rights in its bilateral aviation negotiations. The company also has petitioned for these negotiations to include critical 5th and 7th air freedom rights.\(^2\)

As of May 2005, the U.S. government has negotiated Open Skies agreements with 70 countries, helping to create a free market for aviation services that provides substantial benefits for travelers, shippers, communities, and the economies of individual countries. By spearheading and advocating for international aviation deregulation, FedEx has played a critical role in linking global markets, providing numerous economic benefits for nations, including the following:

- From 1992-2004, the United States signed bilateral Open Skies agreements with 15 of the 25 E.U. nations, thereby expanding competition in the aviation industry (both passenger and cargo). As a result of increased competition, these 15 European countries and their citizens have benefited through increased airline service, greater choice, and lower fares.

**Benefits of Open Skies in Europe**

<table>
<thead>
<tr>
<th>Lower Prices</th>
<th>Expanded Service</th>
<th>More Choice</th>
</tr>
</thead>
<tbody>
<tr>
<td>28.1%</td>
<td>30.0%</td>
<td>71.0%</td>
</tr>
<tr>
<td>10.3%</td>
<td>0.0%</td>
<td>87.0%</td>
</tr>
<tr>
<td>Open Skies Markets</td>
<td>Non-Open Skies Markets</td>
<td>Double Connection</td>
</tr>
</tbody>
</table>


- FedEx has been a staunch proponent of liberalizing aviation in China, supporting U.S.-China bilateral talks resulting in a 2004 aviation agreement that will more than double the number of airlines permitted to serve U.S.-China routes and increase the number of flights more than fourfold by 2011.

---

\(^2\) 5th Freedom: The right to carry passengers and cargo from one foreign nation to another foreign nation (for flights originating in the airline’s home country). 7th Freedom: The right to carry passengers and cargo from one foreign nation to another without any connection to the airline’s home country.
With the dramatically increased choices and competition for U.S.-China routes, this agreement will benefit both the U.S. and Chinese economies.

**Expected Benefits of Liberalizing Aviation in China**

<table>
<thead>
<tr>
<th>More Investment</th>
<th>More Trade</th>
<th>More Jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.0% growth in investment</td>
<td><strong>23-35% Export Growth</strong></td>
<td><strong>800,000 New Jobs</strong></td>
</tr>
<tr>
<td><strong>Export Value of $8-12 Billion</strong></td>
<td><strong>Expected Number of New Jobs in China, 2004-2005</strong></td>
<td></td>
</tr>
</tbody>
</table>


FedEx has worked to move goods faster across national borders, thereby decreasing business costs and promoting economic growth.

Aviation freedom is only one aspect of a nation’s access to inputs and essential goods. Once goods arrive at the port of entry, for instance, the transport to their ultimate destination can be delayed by customs procedures. The costs and delays associated with customs clearance are financial burdens for businesses and significant barriers to economic growth. Over the years, FedEx has made a strong case to the U.S. Trade Representative and the World Trade Organization on the importance of harmonizing customs regimes across the globe. FedEx is encouraging a template of customs rules for all countries to adopt, thus adding transparency and efficiency to the global movement of goods, and also is now advocating for E.U.-wide customs reform.

In advance of comprehensive customs harmonization, FedEx has spearheaded other innovations that facilitate the movement of goods across national boundaries. For example, as an industry pioneer in China, FedEx is the first international express company to link electronically with Chinese customs authorities and to receive operating permits for U.S.-to-China direct services. Likewise, as illustrated in the following box, FedEx has created tools such as FedEx Global Trade Manager® that permit companies to handle complex trade-related requirements with maximum efficiency.
Edmund Industrial Optics

*FedEx Global Trade Manager® helps keep an optics company in the clear with regard to trade restrictions.*

As a premier manufacturer of optical equipment including lenses, laser optics, and imaging systems, Edmund Industrial Optics works with customers around the world. And, like many other companies, Edmund looks at the world differently since September 11, 2001.

Keeping pace with new and changing international trade restrictions put in place by the U.S. government since September 11 is no small challenge. Before discovering FedEx Global Trade Manager®, Edmund’s staff had no choice but to check each order against three different websites – a frustrating and time-consuming process because none of the sites had a search function, requiring that staff spend time manually scrolling through and scanning lists of restricted trading partners and products.

With FedEx Global Trade Manager®, an online resource that helps businesses find and print international shipping documentation, estimate duties and taxes, and review trade restrictions, Edmund’s staff can quickly cross-check every order against an up-to-date list, searching by country, company name, customer name, or even address.

FedEx Global Trade Manager® gives Edmund Industrial Optics the quick, real-time data it needs to ensure a high level of compliance and the utmost efficiency.

The access provided by companies such as FedEx produces not only macroeconomic effects, but also microeconomic impacts that are related directly to the company’s decisions and plans. In terms of access spurring widespread economic expansion, China and India provide important illustrations. Much of China’s phenomenal economic growth has been driven by exports, facilitated by the liberalization of trade regimes that allows goods to travel across national borders with few restrictions and minimal tariffs. Recently, FedEx established the first overnight express link between India and China, directly aiding the deepening economic integration of these two emerging Asian giants.
Furthermore, by expanding its China operations to provide direct services to Europe and North America, and by working with the U.S. and Chinese governments to reduce aviation restrictions, FedEx plays a key role in integrating China into the world economy.

In terms of direct economic impacts, China also provides a significant example of how FedEx drives growth. FedEx plans to build the regions’ largest air cargo hub in Guangzhou, to be in operation in 2008. It is estimated that the direct impact of the FedEx hub on China’s economy will be $11 billion in 2010, increasing to $63 billion by 2020, with the majority resulting from industrial expansion.3

Even in the high-tech services industry, where product design, development, and delivery can be accomplished over a digital network, physical access is critical to conducting business. The recent conclusion of a U.S.-India Open Skies Agreement (an effort that FedEx strongly supported) was widely hailed by leaders in India’s high-tech industry as improving productivity and response time to clients, because much of the business still needs to be conducted face-to-face. With the anticipated increase in the number of flights, service will become more competitive and affordable.

**FedEx and Business: Expanding Reach, Innovation, and Profitability**

FedEx provides companies with broader market reach.

There is no business without markets. FedEx-provided access enables companies to reach customers and sell to wider markets, both nationally and internationally. The following examples showcase FedEx’s contribution to the expansion of businesses’ reach in the global market:

- **FedEx helped local hand-dipped strawberry company, Shari’s Berries, reach a national audience.** Hand-dipped strawberries are highly perishable, and were a quintessentially local product before the age of access. Started in a one-bedroom apartment in 1989 and expanded to five stores in California by 1998, Shari’s Berries decided to launch its website www.berries.com and partnered with FedEx to develop a supply chain that integrates order management, shipment tracking and customer billing. Immediately, nationwide sales took off, increasing by more than ten times for Christmas

---

1999, and by more than 800 percent in the first quarter of 2000. Shari’s Berries now sells to all 50 states and has achieved national market recognition for its unique products and high-quality services. FedEx enabled Shari’s Berries to successfully harness physical and information access to expand its market.

- **Motion Computing partnered with FedEx to help it reach customers around the world directly from its factory in China.** Motion Computing’s tablet PC products are used by clients, mostly in the health care industry, in 18 countries. One of the company’s competitive advantages is that customers can order its tablet PCs with the exact features that suit their needs — and get them shipped overnight. FedEx’s direct-ship program from China to Motion Computing’s distributors and end customers in North America and the European Union has helped the company quickly expand globally in a cost-effective manner.

FedEx’s access services enable businesses to improve their supply chains.

Profitable and competitive businesses are supported by strong supply chains that are efficient, flexible, and adaptable in changing markets. FedEx provides a wide range of cutting-edge access services that help companies dramatically increase supply chain efficiency and agility.

- **FedEx helped Gateway cut millions off annual shipping costs and better manage its international supply chain.** During Gateway’s early years, the company coordinated its own manufacturing and repairs. Rapid growth, cost savings opportunities, and other factors led Gateway to outsource these functions to partners in the United States, China, and Mexico. This outsourcing created a need for reliable and cost-effective supply chain solutions, which the FedEx family offered — in this case through FedEx Ground, FedEx Freight, and FedEx Solutions. FedEx Solutions assisted by developing plans to optimize the best and most cost-effective ways to ship and improve transit times. FedEx now coordinates half of Gateway’s shipments, and the plan shaves millions off Gateway’s annual shipping costs while improving the whole system’s efficiency.
FedEx Express and FedEx Kinko’s helped Ken Blanchard Companies trim two weeks off its production and shipping times. Blanchard is one of the world’s premier business training and coaching companies, routinely conducting seminars and workshops all over the world. Customs clearance and other delays meant that the company used to take four weeks to produce training materials at their San Diego headquarters and deliver the materials for use in India. Working with FedEx Express and FedEx Kinko’s, they reduced the cycle by two weeks, sending electronic versions of the documents to be printed at a FedEx Kinko’s location in Asia. Reflecting the role that FedEx Kinko’s can play in providing business solutions, and the consequent demand from the business community to retain a convenient FedEx Kinko’s in their proximity, the number of FedEx Kinko’s locations continues to expand rapidly.

Access generated by FedEx reduces inventory and increases profitability.

Businesses are increasingly able to manage the flow of inputs and finished products efficiently and with more certainty, eliminating the need to carry large stocks of inventory as “insurance.” The U.S. economy-wide inventory-to-sales ratio has fallen from 1.67 in 1982 to 1.37 in 2003. With its advanced logistics management and information technology services, FedEx has contributed to this decrease by reducing inventory and its carrying costs for its business clients.
FedEx is estimated to have saved its U.S. and international clients $1.3 billion in inventory carrying costs over the 1993-2000 period. SRI developed an Inventory Carrying Cost Savings Model to estimate the savings enjoyed by FedEx customers. By using FedEx services to reduce the transit time that raises inventory carrying costs, FedEx is estimated to have saved its U.S. and international clients over $325 million in the year 2000, and $1.3 billion from 1993 to 2000.4

FedEx helped Pentax reduce lead times and minimize inventory expenses. It used to take up to ten days for Pentax’s high-value cameras to move from factories in Asia to a central warehouse in Colorado, and then on to retailers. Working with FedEx, Pentax developed a new Pentax Direct Distribution System, where products go from factories to the central FedEx Asia-Pacific Hub, and then get shipped directly to retailers using FedEx International Priority DirectDistribution. The new model is five days faster and helps Pentax decrease total inventory costs.

FedEx has enabled new business models.

Companies large and small have worked with FedEx to create and execute new business models delivering more client and stakeholder value. Small, specialized local companies such as Shari’s Berries (described above) and countless other niche gourmet firms can build their businesses around serving clients nationwide, assured that their perishable products can be delivered to customers overnight. Similarly, high-tech startups can go “global” more easily, developing and managing global supply chains as never before possible. FedEx’s scope of services and solutions helps business leaders and entrepreneurs pursue their dreams.

4 See SRI International (2001), Global Impacts of FedEx in the New Economy.
FedEx and People: Offering the Choice of What, Where, When, and How

FedEx provides access to individuals in critical moments and in challenging environments.

The FedEx network allows rapid distribution of supplies required for human survival, as well as connectivity in times of great distress and need. With respect to the former, for example, FedEx assisted international aid organizations in the aftermath of the December 26, 2004 tsunami to facilitate the distribution of medical and relief supplies to victims. Donating its services, FedEx transported nearly 1.3 million pounds of pharmaceuticals (including children’s medicines), first aid supplies, personal hygiene kits, protective suits, and water purification systems to India, Sri Lanka, and Thailand, thereby expediting the provision of critical health services to people in these countries’ devastated regions – and demonstrating the compression of time and space that is possible through access.

Storm Victims – and a FEMA Representative – Plug in at [FedEx] Kinko’s


“The parking lot outside a FedEx Kinko’s on the southern outskirts of [Houston] was dotted with Louisiana license plates. In the days following [Hurricane Katrina] … this place of computers, printers, fax machines, copiers and Internet connectivity became a de facto office for some of the wandering workers and professionals of New Orleans.

A woman with a crying baby on her hip took a seat at a computer and began typing her resume. A man walked in the door, plugged his cell phone into an open electrical outlet, and sat down to wait for his phone to power up …

Meanwhile, another man sat at a laptop docking station in the store. His cell phone rang furiously. ‘Yes, ma’am,’ he said. ‘I’m at a fax machine right now. Send your information and you should hear from FEMA within three to seven days.’

He was a FEMA representative, using [FedEx] Kinko’s as an office like everyone else … For hours, the [FedEx] Kinko’s cashiers brought stacks of faxes over to the FEMA representative’s desk as homeowners submitted copies of driver’s licenses and other documentation for claims.

At lunchtime, the man gathered his laptop and supplies and scribbled a note on a piece of paper that marked his desk as among the most valuable real estate around. ‘This station,’ it read, ‘is being used by FEMA.’”
At the other end of the spectrum from fulfilling basic human needs for supplies and communications, FedEx also enables people to obtain desired luxury items within days of their availability, regardless of the geographical distance of the product source. Beaujolais Nouveau, produced in France each autumn, is uncorked annually at midnight on the third Thursday in November, only weeks after it is bottled. Halfway around the world, Japanese enthusiasts celebrate the ritual uncorking of this wine on the designated date – via access provided by FedEx. With carefully developed logistics plans prepared months in advance, FedEx and the airport nearest to the Beaujolais region of France (Lyons-Saint Exupéry) coordinate to ensure that thousands of tons of new wine are transported safely and rapidly to eager customers around the world, including about 504,000 bottles to Japanese wine devotees awaiting the 2004 uncorking. In short, whether specialty items, basic living requirements, or any product in between, people today have unprecedented access to what they want and need.

**Businesses’ access to goods, services, and information exponentially multiplies benefits to individuals.**

**Goods are Reliably Available to Individuals**

As businesses continue to improve their ability to manage inventory, people have greater assurance that what they want to buy will be available when they go to buy it. FedEx systems make possible the desired end result of smooth supply chain processes: satisfied customers who find what they are looking for. CompUSA provides an illustration of the impact on individuals that FedEx’s services to business provide. To ensure the fast-cycle inventory replenishment it needs to keep customers happy, CompUSA has partnered with FedEx Freight, which picks up products directly from manufacturers at five CompUSA distribution centers (a process that virtually eliminates warehousing costs) and delivers them to CompUSA’s 252 stores, typically within two days – thereby providing shoppers with reliable access to the company’s products.

**Innovative Products Rapidly Reach Individuals**

In the past, small businesses traditionally started with the intention of satisfying a local market need. If successful, a business subsequently might extend its reach to the regional level and, perhaps, to national or even international markets.
More ubiquitous access to goods, services, and information has wrought a radical alteration and compression of these stages of small business development. In turn, these changes make possible a rapid expansion of businesses’ reach; consequently individuals also enjoy increased opportunity to obtain products or services that previously were simply unknown or unattainable because a business had no way of contacting or serving far-flung customers.

Kaenon Polarized, a California-based company producing polarized sunglasses for athletes, encapsulates these changes – as well as the role that FedEx plays in delivering access services to businesses that in turn have direct benefits for individuals. Almost from its establishment, Kaenon wanted to find a way to enter global markets with its unique product, but the startup faced difficulties managing customs procedures, even when the owners engaged freight forwarders and worked directly with customs personnel. Their solution was to partner with FedEx, which became Kaenon’s broker for global customs. And as a result, athletes from Europe to Australia have access to Kaenon’s clearer, lighter, and customized sunglasses, and Kaenon serves people far beyond its Southern California home.

Expanded choices for how and where individuals can attain access mean greater convenience and personalization of service.

The range of access options available from FedEx increases continuously. For the individual consumer of access services, FedEx Home Delivery and FedEx Kinko’s represent primary access “gateways” within the FedEx family, and both of these operating companies have expanded the variety of ways that their services can be accessed.

Individuals Choose How and When Delivery Takes Place

In recent years, FedEx Home Delivery has modified and added services in order to provide not only the certainty of delivery that is a hallmark of all FedEx companies, but also the convenience of delivery required by (and tailored to) the individual residential customer. In addition to regular delivery hours that extend to 8 p.m., FedEx Home Delivery customers may specify that their package be delivered to the recipient:

- On a particular date (FedEx Date Certain Home DeliverySM);
- On a particular date at a particular time (FedEx Appointment Home DeliverySM); or
- During the early evening (5 p.m. to 8 p.m.) on a date within the standard delivery schedule of one to five business days (FedEx Evening Home DeliverySM).

Similarly, so that residential deliveries are more likely to be completed on the first attempt (thereby providing greater convenience for package recipients), FedEx Home Delivery has changed its delivery signature policy: residential packages no longer require signatures. At the same time, FedEx Home Delivery, as well as FedEx Express and FedEx Ground, has expanded the range of delivery signature options for residential customers (or shippers) who still want the certainty of a signature. The possibilities now include options for:

- An indirect signature (i.e., any person at the delivery address, a neighbor, or a release from the recipient);
- A direct signature (any person at the delivery address); or
- An adult signature (any person over 21 years of age at the delivery address).

In addition to providing a variety of options for shipment of goods, FedEx has revolutionized the availability of information to individuals about goods in transit. Through the use of cutting-edge information technologies, FedEx provides customers with near real-time updates on shipments, greatly enhancing reliability and predictability of access. The accompanying chart, which uses terabytes as a proxy for volume of data, illustrates the rapid expansion of information available to customers.

![Graph: Data Size of Information on Shipping and Handling Provided by FedEx to Customers]

Source: FedEx

* A terabyte equals one trillion bytes of information.
People Enjoy the Option of Either Physical or Virtual Presence

New FedEx Kinko's services span both place-based and virtual convenience. Geographic proximity to individual customers is provided through more than 1,300 storefronts worldwide, including more than 400 that are open 24 hours a day, 7 days a week. Virtual presence is enabled by options such as File, Print FedEx Kinko's, which "creates a virtual printer cable from [the customer's] desktop to any U.S. FedEx Kinko's location." This software tool means that on-the-road business people can create their documents, presentations, and spreadsheets anywhere in the country, and then send them for printing and production to the most convenient pick-up location, or have them delivered. Since File, Print FedEx Kinko's was introduced in August 2004, usage has increased to more than 10,000 downloads per week. Other expansions of services at FedEx Kinko's include an online store of nearly 250,000 office and school supply products, launched just before the beginning of the 2005 school year, and expanded packing services, initiated to precede the 2004 holiday season.

FedEx and the Future of Access

Just as “access” has expanded and become increasingly essential to nations, businesses and people, the role of FedEx in the “access space” has increased consistently. All companies in the FedEx family generate physical and digital access under the conditions of reliability, transparency, rising options, and accelerating speed. The significance of access is demonstrated by the rapid growth of resources devoted to it, as well as the range of goods, services, and business models that are integrally based on access. History has demonstrated that nearly all industries can rise or fall in importance, but it seems likely that the demand for greater access will continue to grow unabated, as will FedEx's contribution to bringing the benefits of access to people, businesses, and nations.

---
