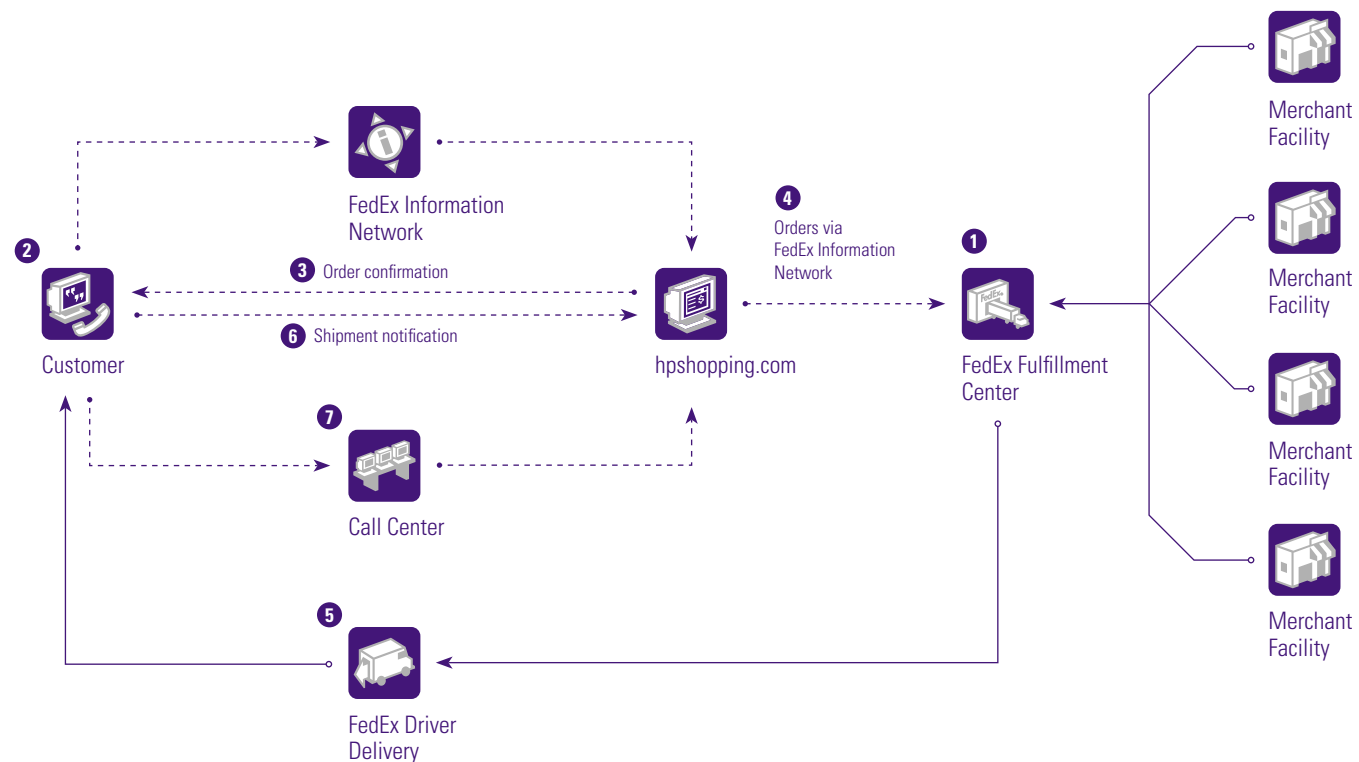


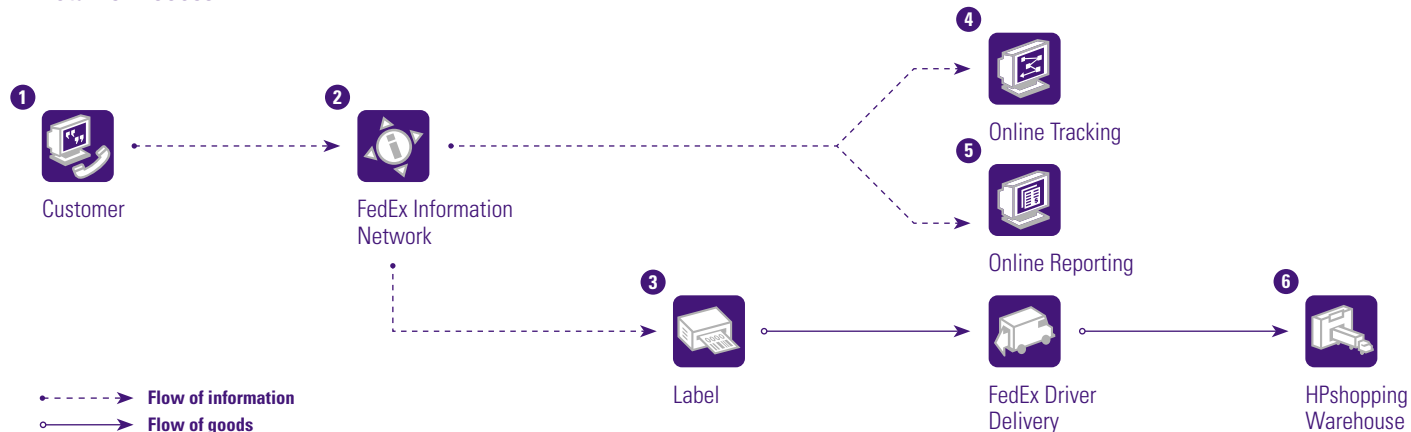
Order Management Process



---> Flow of information
 —> Flow of goods

1. HPshopping.com ships products to the FedEx fulfillment center in Memphis to manage the inventory.
2. The customer places an order online through hps shopping.com or via the call center.
3. The customer's credit is authorized online by hps shopping.com. If approved, an e-mail confirmation is then generated and sent to the customer from hps shopping.com.
4. The order is transmitted to the FedEx fulfillment center in Memphis, via the FedEx network.
5. The order is then picked, packed, and shipped directly to the customer.
6. An e-mail shipment notification is sent to the customer from hps shopping.com, alerting the customer that the shipment is in transit.
7. Shipment status and order tracking is available at hps shopping.com or through the call center, via the toll-free number.

Returns Process



---> Flow of information
 —> Flow of goods

1. An HPshopping.com customer calls the toll-free customer service number to request a return authorization.
2. The customer service representative determines return eligibility and issues a Return Materials Authorization (RMA) number. The representative enters the RMA number into the FedEx Information Network via the Internet and schedules a pick-up at the customer's location.
3. The FedEx courier picks up the shipment at the customer's location and prints the return shipping label and receipt for HPshopping.com's customer.
4. Complete online tracking is available via the RMA number, FedEx tracking number, or confirmation numbers. FedEx also automatically notifies HPshopping.com of any additional tracking numbers for multiple package shipments and also proactively generates a follow-up trigger if the pick-up was not successful.
5. FedEx Return Manager generates follow-up lists to indicate any open RMA numbers, as well as a log of follow-up activity. HPshopping.com can also enter its own "call notes" to record a log of shipment history.
6. HPshopping.com's warehouse receives the return shipment within two business days of the courier pick-up.



FedEx Customer Success Story Hewlett-Packard

FedEx and Hewlett-Packard develop new sales channel.

- **HP's online store was launched in early 1998 and experiences revenue growth of over 500% annually.**
- **HP decreases returns cycle times by 80% and per unit return product costs by 70% through FedEx Return Manager.SM**
- **Online status tracking offers complete visibility throughout the returns process.**

Since Hewlett-Packard® was founded in 1939, the company has been a technology pioneer and has developed a reputation for exceeding customer expectations by providing the most innovative technology products available. HP wanted to continue this legacy by leveraging the power of the Internet to provide customers with easy and convenient access to its products. By establishing its consumer e-commerce store, HP not only recognized that it could strengthen customer relationships and reduce costs, but also increase revenue growth and successfully manage demand.

Going directly to the customer.

HP, having sold the majority of its consumer products through traditional retail channels, recognized the opportunity to capitalize on the direct distribution model. HP also wanted to focus on substantially reducing its refurbished product inventories and addressing its customers' growing desire to order products via the Internet. The creation of a new online sales channel for customers, now known as HPshopping.com, would enable them to capture a larger share of sales, enhance its relationship with customers, and complement its existing network of retail distributors.

Management at HPshopping.com turned to FedEx to help them strategize and quickly implement the new Internet sales channel with minimal resource

utilization and risk. HPshopping.com asked FedEx to develop a comprehensive solution that would manage the entire process—from order management to order fulfillment. According to Chief Technology Officer Mike Bridge, "FedEx allowed us to focus more of our efforts on developing and continuing to grow relationships with our customers. We relied on FedEx to deliver an integrated solution that met our customers' needs."

Why HP chose FedEx.

HP wanted a provider with industry-leading experience and capabilities, including:

- Proven expertise in information technology.
- Access to U.S. households through an extensive distribution network.
- Experience in electronic commerce and supply chain management.

HP wanted a provider that could do it all:

- Analyze business processes, assess opportunities, and recommend a solution.
- Integrate multiple solutions from various alliance partners with HP business processes to meet customer needs.
- Oversee the supply chain and information management components of the solution, thus freeing HP to focus on strengthening customer relationships.
- Quickly deliver the solution to market.

Project summary.

FedEx assembled a cross-functional team that leveraged both HP and FedEx expertise. The team examined the existing supply chain architecture and began development of a new e-commerce channel for customers, the Internet-based "direct-to-consumer" solution now called HPshopping.com.

FedEx brought in outside partners as necessary, managed the initial implementation, and helped hpshopping.com establish the channel’s operations. HPshopping.com plugged into the FedEx fulfillment system, allowing hpshopping.com to monitor inventory levels.

The FedEx Supply Chain Solution

Needs assessment and supply chain analysis.

Once Hewlett-Packard made the decision to establish a new e-commerce channel for its customers, FedEx brought in cross-functional teams of professionals to assess HP’s supply chain architecture and identify critical integration points. According to Mike Bridge, “FedEx was able to provide us with a flexible, scalable, and integrated solution that helped build our online business.” Each team worked closely with key areas across HP’s supply chain to determine key strategies that would enable the company to meet the growing customer demand for its products.

In-depth solution design and development.

After FedEx and HP identified opportunities for the creation of the e-commerce sales channel, a cross-functional team from FedEx began the design and development of a “direct-to-consumer” solution for HP. This solution created a new channel for HP that would allow the company to sell its refurbished printers and computing products to customers through the Internet. For HP, it was imperative that FedEx not only develop and implement the solution, but also manage the critical processes that serve as the engine for the online channel. Bridge explained, “HPshopping.com benefited from a flexible, extensive e-commerce solution, and yet we were substantially insulated from integrating the information flows of the infrastructure FedEx put in place. FedEx developed a comprehensive solution that fully integrated the front-end order processing with the back-end execution management and order fulfillment of products.”

Order management.

As part of the solution, FedEx integrated critical information systems needed for the new channel, enabling its customers to conveniently order products online. HP was able to quickly launch the initial site, HP Outlet Center, to its customers and begin receiving orders within two months. Critical to the success of this solution was the integration of online credit card authorization and settlement within the order management system. Once the order is authorized, it is accepted by HP, confirmed, and routed to the fulfillment center by FedEx. FedEx also contracted a call center provider to manage the services required to support HP customers that prefer purchasing products via a toll-free number. To complete this component of the solution, FedEx and the call center collaborated on information technologies that would support the necessary integration of the order and inventory management systems.

Bridge explained, “Thanks to FedEx, we are learning more about how our customers shop for and buy our products, and we’re taking that experience and applying it to selling online. We’re capturing sales and customers that otherwise would be lost to our competitors—that group of people who will only buy online from the manufacturer.”

Bridge continued, “We’re seeing tremendous month-to-month growth in this business. The majority of our customers visiting hpshopping.com rate their overall experience as ‘very good’ or ‘excellent’ . . . and approximately 95 percent would recommend us to a friend.” *PC Computing* magazine concurs. In its I-Biz 100 Ranking, the magazine points out that hpshopping.com “sells PCs like gangbusters.”

Warehouse management.

Because hpshopping.com wanted to establish an e-commerce channel without having to increase personnel and capital expenses, it was necessary to provide comprehensive warehouse management services. Through the FedEx fulfillment center in Memphis, FedEx provided hpshopping.com with the resources necessary to achieve such a requirement. The fulfillment center’s close proximity to the FedEx SuperHub enables hpshopping.com to enjoy a variety of benefits associated with the elimination of the inbound transportation leg to the FedEx SuperHub.

Inventory management.

Through the integration of order management and inventory management systems, FedEx enabled hpshopping.com to proactively monitor and control product inventory levels. By integrating those systems from hpshopping.com and the third-party call center, FedEx was able to develop a totally seamless inventory management application.

At the FedEx fulfillment center, logistics information systems constantly monitor and update inventory status. In addition, customers can track their shipments from hpshopping.com. Conversely, since the call center systems are updated with order information from hpshopping.com, customers can also call the toll-free number and obtain complete customer service information from call center representatives.

Order fulfillment.

In order to help hpshopping.com increase responsiveness to its customer base, FedEx placed both refurbished- and finished-goods inventories in the FedEx fulfillment center, located in Memphis. Late cutoff times enable hpshopping.com customers to order as late as 10:00 p.m. (EST) and still have their orders shipped the same day. In addition, hpshopping.com’s customers benefit by having multiple pieces arrive in one coordinated delivery, instead of receiving multiple shipments.*

Reverse logistics management.

In July 1999, hpshopping.com needed to improve the turnaround of time-sensitive customer returns. By streamlining the way products are handled between customers and the returns facility, a speedier returns management service was implemented.

HPshopping.com wanted to remain focused on customer satisfaction by providing customers with an efficient product return process. Such a process enabled hpshopping.com to quickly credit its customers’ accounts and help them select products that fulfill their needs. FedEx Return Manager provided a reverse logistics solution that enabled the fast return of products from customers, helping hpshopping.com to maintain visibility to returned products in transit and strengthen customer relationships.

“In essence, FedEx has enabled us to quickly and seamlessly respond to customer demand,” concluded Bridge.

The following timeline describes the key milestones in the development of hpshopping.com’s e-commerce solution and how HP and FedEx collaborated to make the new channel a success.

	HPshopping.com	FedEx
August 1997	Hewlett-Packard made the decision to “go direct” to its customers and create an Internet sales channel.	Working with a cross-functional team from HP, FedEx assessed and identified opportunities for the development of the online channel.
December 1997	The HP Outlet Center was launched to customers, initially offering HP printing supplies and refurbished HP printers.	FedEx integrated key information systems to establish the infrastructure for the solution, integrating front-end order processing with back-end fulfillment.
May 1998	Due to increasing traffic and order volumes, Hewlett-Packard redesigned the HP Outlet Center and relaunched it as the HP Shopping Village.	With the launch of the HP Shopping Village, FedEx transitioned the Web site management function over to HP.
October 1998	HP Shopping Village added a select number of new HP products to its online store selection.	As HP Shopping Village grew and became more established, FedEx facilitated the transition of select operations to HP.
March 1999	HP Shopping Village extended its online product offerings to include the entire line of consumer computing products.	
May 1999	HP formed the new subsidiary, hpshopping.com, to provide its customers with easier access to its online store and become more recognizable in the e-commerce marketplace.	
July 1999	HPshopping.com continued to outpace the competition by recording substantial revenue growth as well as winning numerous e-commerce awards and accolades.	To manage the product returns associated with the increased order volume, FedEx implemented its online returns authorization solution for hpshopping.com, called FedEx Return Manager. HPshopping.com is now able to proactively manage returns online.

*Custom-built PC orders require slightly different ship times and processes.