

The world on time

At FedEx Express commitment to customer service permeates from the top management to all employees. It has to, because for FedEx Express understanding what its customers want and providing it to them is essential to maintaining the company's high level of brand equity. It is a company that has built its reputation on the ability to deliver packages anywhere in the world, on time and undamaged. To do this and to maintain its reputation in a highly competitive marketplace, FedEx Express needs to understand its customers and ensure that all employees deliver the service to them in the expected manner. Barbara Goldsack, Editor of the LRQ Review, visits David Rebholtz and Glenn Pearson at the company's Memphis headquarters to find out more.



David Rebholtz, Executive Vice President, US Operations and Systems Support, FedEx Express, comments:

"When you have a company such as ours with a \$20 billion turnover, it is difficult to keep doing the right things right. Good quality processes help to identify the things that are most meaningful to work on. If you use the tools that ISO 9001 provides it helps you get the results because you are working on the right things."

Delivering the service

Put at its simplest FedEx Express delivers packages. It sounds an easy operation but the scale and complexity of the processes that have to happen to ensure timely delivery are enormous. FedEx Express moves in the region of 3.5 million packages a day, operates in 211 countries using 365 airports, 662 aircraft and more than 45,000 fleet vehicles.

The operation uses a hub and spoke system where all points of the network are connected through a central hub. The company and the first hub were established by

Fredrick W. Smith in 1973 in Memphis, Tennessee. The headquarters are still in Memphis but FedEx Express now operates using six hub airports around the world. Memphis airport remains the largest hub operation with over 150 aeroplanes landing and taking off again each night. As soon as the packages arrive at the hub they must be sorted, allocated to the correct destination and reloaded onto the appropriate outbound flight. Every night is a race against time to ensure that each plane departs on time with every package that is needed for onward delivery.

When a package is collected by the courier, it is given a barcode. This contains a vast amount of information and scanning of the barcode at each stage in the process enables a package to be located by FedEx Express at any time during its transit. This information is available via the web site and also gives customers the ability to track their own packages.



FedEx Express prides itself on using the latest technology throughout its operation. Not only does this allow every package to be tracked at any stage in the process but the use of the data generated by the technology also enables FedEx Express to get closer to customers, understand their needs and manage the business more effectively.

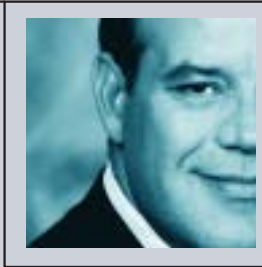
FedEx Express uses a single ISO 9001 approval system for its worldwide operations which includes around 1,200 service centres and it has operated this system since 1994.

Lloyd's Register Quality Assurance has been the company's certification body since the start. Glenn Pearson, Senior Manager Quality Systems and Audit for FedEx Express, observes:

"The ISO 9001 is a very structured process which complements the way in which we work. The elements of continual improvement and customer satisfaction are very much the areas we must focus on to achieve continued business benefits and growth."

David Rebholtz, Executive Vice President, US Operations and Systems Support, FedEx Express, comments:

"We are a service industry and our employees are vital to the operation and our continued success. All the material, education, knowledge and processes are shared. We also have a series of standards, measurements and reward mechanisms which are in place everywhere. We engender a shared view of what we do. Our staff are also our greatest source of improvement opportunity. Many of our staff spend more time with customers than they do with other staff. They build close relationships with customers and can learn things from them that we can't see in Memphis. So, we must ensure that this knowledge that they have is recognised and is drawn into the process."



Staff matter

Service and providing a quality service is the whole reason for being to FedEx Express, so it is understandable that its staff and the way they interact with the customer are of vital importance. With over 140,000 staff spread across the world it is hard to envisage how a consistent service is ensured in so many different countries.

All staff undergo training for their role within the organisation. For example, a trace agent who talks to the customer on the phone undergoes six weeks training before they speak to a customer and there is a similar amount of training for couriers and other staff. Great importance is also placed on an annual staff survey which all employees complete anonymously on-line. David expands: "Many of the questions ask if we are doing things right for our customers and if the quality process is alive and well. It gives us another opportunity to find out what is going wrong and why."

Continued training, available to all staff, is important and an on-line Quality University has been developed. This enables staff to take up to 70 courses, there is a test at the end of each course and the score is automatically added to the employee's staff record. FedEx Express also operates a programme to help identify and encourage non-management

employees to find out if they are suitable to take on a management role.

Communication with staff is another vital element of ensuring that everyone is aware of what is happening in the organisation. FedEx Express even operates a television service to its employees so that staff can be brought up-to-date quickly with relevant information.

Staff are acknowledged and rewarded for going beyond what is expected of them in their everyday work. Glenn explains: "The Purple Promise Award ceremony celebrates people who have gone above and beyond what is expected of them in providing service to the customer. An example of this could be a service agent in a station using her own car to deliver a package she knows to be important to that customer. We don't expect staff to do this but when such decisions are made we want to celebrate them because this is the kind of mind-set we want to engender in the company."

Staff that have performed exceptional service are flown to the award ceremony in Memphis with their significant partner to take part in the award ceremony. This event is popular with the staff and is communicated throughout the organisation.



David Rebholtz, Executive Vice President, US Operations and Systems Support, FedEx Express, observes:

“Our Service Quality Indicators have been in place for over 17 years. They were a huge enabling tool for us as they helped us to identify what was important to customers and made us focus on these components.”

Getting the right measure

Customer measurement and understanding what the customer wants are vital to FedEx Express. As you would expect, it operates a highly effective customer satisfaction programme and continually seeks ways to improve the service to meet customers’ new and increasing expectations.

FedEx Express uses a comprehensive system known as the Service Quality Indicators (SQIs) to measure and monitor its effectiveness. The SQIs consist of primary components of the transactions that take place between FedEx Express and its customers. So, it includes aspects such as lost packages, packages delivered late on the right day and packages delivered on the wrong day. Each of the components is then weighted as they have a different degree of importance to the customer. The components that cause most frustration to customers are given a higher weighting than those that are less frustrating. For example, a lost package is weighted at 50 points, whereas a package delivered on the right day but late is weighted at one

point. This allows FedEx Express to get a far more meaningful result and focus on the issues that matter most to customers.

Each year the top management establishes a target for each of the SQIs which helps the company to achieve continual improvement against objectives. David observes: “Each year we make the SQIs a qualifier to financial incentives for all members of management. It means we have an ongoing pursuit of continuous improvement through specific measurable goals.”

However, there are also a number of other methods that FedEx Express uses to measure customer satisfaction and understand its customers. A customer service group captures information such as the quality of calls with customers, order taking and how customer complaints are dealt with. Feedback is also gathered on a daily basis from staff to find out what customers are thinking and to identify any frustrations they may be experiencing. Even top management make sales calls and this enables them to get first hand feedback from customers.

In addition, FedEx Express carries out two major qualitative studies. A well-established customer value analysis surveys a base of customers and non-customers. The value of each of the components that make up the SQI are compared between the two groups. Dave comments: “The FedEx Express performance is compared in relationship to the price customers are paying for the service experience and this is then compared against competitors’ performances. This allows us to see a number of things, such as what attributes customers no longer perceive as unique, if we are not performing as well as our competitors or if there is an emerging trend that is becoming important in the marketplace. It acts as point of reference for us.”

The other qualitative study specifically relates to complaints and problems and is designed to gather information about customers’ negative experiences and the risk that these can have on revenue. Teams are established to find solutions to the issues that are identified through this survey. The teams look at the negative experience that customers had, based on one of the SQIs, and each team is responsible for finding ways to improve the customer experience. Through this action FedEx Express aims to identify process changes that will reduce the risk of customers leaving or produce an improved approach over its competitors.





David Rebholtz, Executive Vice President, US Operations and Systems Support, FedEx Express, comments:

"We want 100 per cent customer satisfaction on each and every transaction, with continued lower cost and improved profit performance. We fundamentally believe that if we deliver on our promise with a degree of consistency and predictability that we can command a premium price in the marketplace. To do this requires an ongoing evaluation of processes, parameters and information all driving towards improved performance, which for us means 100 per cent customer satisfaction"

Data, analysis, action...

Information and data collected by a company is only of value if it is analysed and the findings acted upon, and this is certainly the case at FedEx Express. A number of daily and weekly meetings are conducted and action teams are established. These ensure data is not only analysed but that decisions are also made and carried out. This helps the company to fully understand the marketplace in which it operates and enables it to put processes in place so that it stays ahead of its competitors.

On a daily basis, a morning recap meeting is held between the key operations around the world. The purpose of this is to analyse how well the system performed the previous night and to identify if there were any problems and, if so, how these were resolved. Recurring problems are soon noticed and action is taken to reduce or prevent them in future.

Each Friday, David leads a weekly analysis review (WAR) meeting which consists of quality professionals, mid-level management and relevant staff. The purpose of this meeting is to review how well the company did on each of the SQIs for the previous week. The process looks at why problems occur, if there is a recurring problem and how any such problems can be solved. The attendance of key executives at this meeting means that major decisions can be made and the appropriate action taken straight away. At the following week's meeting any actions that were taken are followed up so that progress is monitored and improvements are achieved.

David comments: "At this meeting we also review one of the 12 root cause teams. These are the teams that carry out the in-depth analysis of one of the SQIs and the causes of dissatisfaction to our customers. We look at what the team has developed, the data that has helped drive them towards their conclusions and the progress the team has made since the previous report on performance. These WAR meetings are my favourite meetings because they are really driving results."

