FedEx Helps DIRECTV Handle Explosive Growth.

DIRECTV, Inc., has been selling television satellite systems since its founding in 1994. With over 225 channels, the company offers an extensive programming selection to homes and businesses across the country. Initially, equipment to receive DIRECTV service was sold to customers primarily through third-party retailers such as major electronic stores and independent dealers. But when parent company Hughes Electronics acquired Primestar—one of DIRECTV’s major competitors—in 1999, it was necessary for DIRECTV to begin dealing directly with end customers in converting Primestar’s subscriber equipment.

The purchase expanded DIRECTV’s customer base by approximately 2 million subscribers, and DIRECTV established a 24-month plan for the conversion. In order to transfer these customers, DIRECTV would have to send each subscriber the requisite DIRECTV satellite dish, digital set-top boxes, and remote control.

With so many customers to convert, DIRECTV had to completely rethink fulfillment and returns procedures. Pleased with the reliability and flexibility of FedEx shipping and stock management in the past, the company turned to FedEx to help handle the demanding transition.

Streamlined processes increased efficiency
DIRECTV had managed small equipment distribution projects but the Primestar acquisition required a greater scale operation. Existing fulfillment and return operations were initially set up to support shipping 500 boxes per month to customers and third-party resellers. But the acquisition meant that shipping volumes would drastically increase, practically overnight. “When we acquired Primestar, we had to convert subscribers to DIRECTV service within 24 months,” explains Jerry Littman, DIRECTV Director, IT Business Relationship Group.

“FedEx responded by creating a scalable solution that took us from handling 25 shipments a day to 10,000 per day without skipping a beat.”

To manage higher shipping volumes, DIRECTV needed to increase both shipping and warehouse capacities. In response, FedEx created a high-volume stocking and shipping process that networked Synapse, a Warehouse Management System (WMS), and FedEx® Ship Manager Workstations using FedEx Net®. FedEx Net is a value-added network (VAN) that enables information exchange between disparate computer systems. By integrating shipping and warehousing data with DIRECTV’s existing system, the company can achieve supply chain visibility for efficient inventory management. Networking existing systems and outsourcing warehousing also helped DIRECTV quickly ramp up operations with minimum capital investment.

When an order is initiated from the sales channel—third-party reseller, call center, or in this case, the Primestar customer database—it is sent directly to FedEx. The order information progresses via FedEx Net to the WMS, where the product is picked and packaged for shipping. The data is simultaneously sent to both DIRECTV’s invoicing system to charge for units sold and to the FedEx
Ship Manager Workstation. Concurrently transmitting order information to all involved departments expedites the shipping process by eliminating internal lag times. When the order is ready for distribution, a shipping label is created and a tracking number is assigned. As each order is filled, a confirmation e-mail can be sent to the recipient with all the shipping and tracking information, so that the reseller or customer can track the order in real time—24 hours a day—on fedex.com.

DIRECTV ships equipment directly to sales partners and end customers. Orders can be shipped as either individual parcels or in bulk for cost-efficiency and easier handling in transit. Each shipment is assigned a “license plate” with all the necessary shipping information and a consolidated tracking number, as well as a vendor ID code and order serial numbers. Access to this detailed information enables resellers and DIRECTV to reference or track orders by multiple pieces of information. License plating also helps identify customer activation, as well as speed credit on order returns.

Returned orders are handled in one of two ways. If it is an undeliverable item, the FedEx fulfillment center receives and restocks the item into inventory. Using the order number, returns are logged into the WMS. The WMS sends the returns information through FedEx Net to DIRECTV’s Order Management System (OMS) to speed customer credit.

If the return is damaged or needs repair, the customer either calls DIRECTV’s customer service or goes to the corporate website to initiate a return. DIRECTV creates a return order through FedEx NetReturn API by uploading customer information directly from its OMS. A return label can either be sent over the Internet for the customer to print and drop off the package at an authorized FedEx drop-off location; or DIRECTV can dispatch a FedEx courier to print a return label at the customer’s location and pick up the package for return delivery. The return is then sent directly to DIRECTV’s repair facility where the FedEx Signature Proof-of-Delivery triggers the customer financial settlement process for the returned item. Once the item is repaired, the repair facility sends an Advanced Shipping Notice (ASN) to DIRECTV and the FedEx fulfillment center through FedEx Net. The FedEx fulfillment center receives and processes input into the system when the return order is created. Because each package is assigned a FedEx tracking number, both DIRECTV and its customers will be able to monitor their returns in route back to the warehouse. “We want to make the customer experience as easy as possible,” explains Littman. “With integrated FedEx NetReturn API, the returns process will be smoother for us as well.”

Returns management completes the cycle

DIRECTV also integrated FedEx NetReturn API to streamline the returns and repairs processes and further enhance customer service. FedEx NetReturn API is a customizable returns management solution that simplifies the returns process for both a company and its customer. By integrating FedEx NetReturn API into its system, DIRECTV is able to automate and monitor returns by enabling customers to arrange their returns electronically.

Shipping and tracking information is
the repaired products as inbound inventory that is placed into stock for future fulfillment. Throughout this closed-loop process, DIRECTV maintains product visibility to facilitate operations planning, improve inventory management, and increase customer satisfaction.

**Growing bigger and better**

With its 9.8 million-subscriber base increasing by the day, DIRECTV is confident it is equipped to handle future growth. Alliances with key retailers have brought in even more customers and DIRECTV now sells direct to these consumers. “With FedEx, I know we can handle any sudden increase,” says Littman. “FedEx has proven its ability to adapt to our needs as fast as our plans change. I don’t think any other company could do that for us.”

The introduction of FedEx® Home Delivery, a residential delivery service, provides additional customer service opportunities. As the number of direct-to-customer shipments increases, DIRECTV is considering cost-efficient shipping and home delivery by appointment—without sacrificing reliability or customer service.

One of the country’s fastest growing satellite television suppliers, DIRECTV shows no sign of slowing down. “We’re expanding into more markets now than ever before,” says Littman. “As we create more opportunities for growth, we’ll count on FedEx to help us keep ahead of our competition.”

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**ORDER MANAGEMENT PROCESS**

1. Orders for satellite equipment are sent from various channels directly to DIRECTV.
2. Order information is sent via FedEx Net from DIRECTV’s Order Management System to the Warehouse Management System.
3. Order information is simultaneously sent to both DIRECTV’s invoicing system and to the FedEx Ship Manager Workstation.
4. The order is picked and packed in the FedEx fulfillment center. The FedEx Ship Manager Workstation calculates a shipping rate, assigns a tracking number, and generates a shipping label.
5. Shipment status information is sent to DIRECTV’s Order Management System where it is available to handle customer inquiries.
6. The package is picked up by FedEx, scanned, and delivered to the customer.
RETURNS PROCESS

1. Customer calls DIRECTV Customer Service or visits website to initiate a return. DIRECTV creates a return order through FedEx NetReturn API.
2. FedEx NetReturn API uploads customer information directly from its Order Management System.
3. Customers can automatically print their own shipping labels via the Internet and drop off the package at an authorized FedEx drop-off location; or, the FedEx courier picks up the shipment at the customer’s location and prints the return shipping label for customers who called in their return via phone.
4. The return is sent to the repair facility where the FedEx Signature Proof-of-Delivery (SPOD) triggers the customer financial settlement process for the returned item.
5. The item is repaired and an Advanced Shipping Notice (ASN) is sent to DIRECTV and FedEx fulfillment center through FedEx Net.
6. The FedEx fulfillment center receives and processes repaired products as inbound inventory that is restocked for future fulfillment.

![Diagram of return process]

- Information flows
- Physical flows