Order Management Process

1. FedEx Fulfillment Center ships products to the FedEx fulfillment center in Memphis to manage the inventory.
2. The customer places an order online through hpshopping.com or via the call center.
3. The customer’s credit is authorized online by hpshopping.com. If approved, an email confirmation is then generated and sent to the customer from hpshopping.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 email shipment notification is sent to the customer from hpshopping.com, alerting the customer that the shipment is in transit.
7. Shipment status and order tracking is available at hpshopping.com or through the call center, via the toll-free number.

Returns Process

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 Return Manager, generating 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 follow-up activity.
3. FedEx Return Manager returns open RMA numbers. FedEx also automatically generates an RMA number for any multiple package shipments and also proactively generates a follow-up trigger if the pick-up wasn’t completed.
4. FedEx Fulfillment Center receives the return shipment within two business days of the return authorization.
5. FedEx Fulfillment Center receives the return shipment within two business days of the return authorization.
6. FedEx Driver Delivery returns the shipment directly to the customer.
7. 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 has 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 customer’s 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. HP shopping.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 sought 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 e-commerce and supply chain management.
- 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 and Hewlett-Packard develop new sales channel.

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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 transaction 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 toll-free numbers. 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.

**Results summary.** How is the program working so far? HPshopping.com was launched in early 1998 and is already experiencing revenue growth of over 500% annually. Now widely known as HPshopping.com, the online store scored high marks in four of PC Computing magazine’s ten I-Biz 100 Rankings. Impressively, hpshopping.com was ranked #1 in retail revenue and #5 in PC product sites. It also ranked in the top ten for overall revenue and brand recognition.


And one aspect of the program, FedEx Return Manager, is proving itself to be successful for the company. FedEx Return Manager, an Internet-based product returns program, has decreased returns cycle times by 80%, and overall per unit return product costs have decreased by 70%.

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.

<table>
<thead>
<tr>
<th>Month</th>
<th>Event Description</th>
<th>FedEx</th>
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<tbody>
<tr>
<td>August 1997</td>
<td>Hewlett-Packard made the decision to “go direct” to its customers and create an Internet sales channel.</td>
<td>Working with a cross-functional team from HP, FedEx assessed and</td>
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<td></td>
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<td>identified opportunities for the development of the online channel.</td>
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<td>December 1997</td>
<td>The HP Outlet Center was launched to customers, initially offering HP printing supplies and refurbished HP printers.</td>
<td>FedEx integrated key information systems to establish the infrastructure for the solution, integrating front-end order processing with back-end fulfillment.</td>
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<td>May 1998</td>
<td>Due to increasing traffic and order volumes, Hewlett-Packard redesigned the HP Outlet Center and relaunched it as the HP Shopping Village.</td>
<td>With the launch of the HP® Shopping Village, FedEx transitioned the Web site management function over to HP.</td>
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<td>October 1998</td>
<td>HP Shopping Village added a select number of new HP products to its online store selection.</td>
<td>As HP Shopping Village grew and became more established, FedEx</td>
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<tr>
<td>March 1999</td>
<td>HP Shopping Village extended its online product offerings to include the entire line of consumer computing products.</td>
<td>facilitated the transition of select operations to HP.</td>
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<tr>
<td>May 1999</td>
<td>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.</td>
<td>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.</td>
</tr>
<tr>
<td>July 1999</td>
<td>HPshopping.com continued to outpace the competition by recording substantial revenue growth as well as winning numerous e-commerce awards and accolades.</td>
<td><em>Customer lead! PC online requires slightly different story tones and premises.</em></td>
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</tbody>
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