



## QDM and the Purple Promise: Taking It to the Next Level

Well done on providing our customers great service during a record-breaking peak season. This outstanding performance required excellent teamwork and flawless execution.

We set a new volume record from the day after Thanksgiving — “Black Friday” — through Christmas Eve. There were some shifts in timing and location for a significant amount of peak volume, but thanks to our operational flexibility and excellence, we were able to meet customer needs and provide outstanding service.

We’ve been experiencing strong volume growth since the beginning of Fiscal Year 15 (FY15), and some of that is fueled by the rising tide of e-commerce.

Even though we did a great job during peak 2013, we learned some lessons. We found out we needed more visibility for shipments with long transit times in the FedEx Ground and FedEx SmartPost networks; for the transfer of shipments from FedEx SmartPost to the USPS; and when e-tailers tender shipments to FedEx. We immediately took action and added enhancements to fedex.com tracking screens. Those steps paid off this year with more visibility for customers.

While slowdowns in U.S. West Coast ports and volumes originating in various areas caused operating challenges, overall better planning on the part of e-tailers with our Solutions group also played a big part in our smooth peak season. Well done to our operating units for flexibly and successfully dealing with the unexpected peak issues above.

The good news is we again expect to grow our business. But with higher volumes across our networks, we now turn our attention to peak 2015 and face even greater challenges to maintain FedEx’s expected high performance for our next holiday season.

Customer expectations are constantly rising and their needs are becoming more varied. We must meet or exceed expectations and anticipate those needs. The continued rapid growth of

e-commerce and technology innovation creates both risks and opportunities for us.

We must be at the top of our game at every customer and shipment touch point. Operations, sales, retail, call centers, IT, and other areas all must focus on executing each function perfectly. They must constantly engineer out error, waste and unnecessary activities.

In this regard, using Quality Driven Management (QDM) principles, we seek to learn customers’ expectations through exhaustive research and the use of Service Quality Index (SQI) metrics to track our performance in areas that matter most to our customers.

Time and time again, customers tell us they value two things above all:

- Operational effectiveness, which includes reliable but flexible pickups; on-time, undamaged deliveries; easy international shipment processing; and speedy problem resolution
- Friendly, efficient interactions with FedEx team members — drivers, retail counter personnel, sales representatives, and customer service personnel.

E-commerce and technology also bring new customer expectations. More than ever, our customers want easy access to faster, more accurate shipment information, along with proactive shipment status updates. Recipients want more options to receive their shipments on their schedules, sometimes at a preferred retail location.

Given this understanding, we are focusing our QDM efforts on six key opportunities for the rest of this fiscal year and in FY16:

**Higher delivery reliability** — We move over 10.5 million shipments to 220 countries on any given business day. Each shipment needs to be picked up, sorted and delivered on time. Frontline team members must make that happen flawlessly. Our engineers are working harder than ever to design more efficient networks. In the future, sales, IT, and marketing teams will be collaborating even more to improve address quality, which increases delivery accuracy.

**Reduction of loss and damage, and improvement of claims processing** — Research shows that lost or damaged shipments cause extremely high customer frustration and lower loyalty or can result in the loss of business. Accordingly, *we must handle every shipment as if it's the most important one we'll ever handle —because it is!* Each stacking, loading, and forklift handling point is important. Any problem is important. Clearly communicating the "fix" to customers requires a quick response and establishing a single point of contact until the issue is completely resolved.

**Proper clearance paperwork or digital input** — Customers tell us their biggest headache with international shipping is clearance paperwork, due to complexity and increasing trade regulations. They want FedEx to make the process easy. Accordingly, we are improving trade tools such as FedEx Electronic Trade Documents and focusing our sales, marketing, retail, and customer service team members on finding new ways to simplify international shipment processing for our customers. These initiatives are also important internally, especially for FedEx team members who spend lots of time correcting customer paperwork or entry errors.

**Pleasant staff interaction**, shorter wait times, and efficient handling of hold-at-location (HAL) packages for customers at both FedEx Express and FedEx Office — When customers come in to ship or pick up packages, team members who are friendly, courteous, and quick to respond make all the difference!

**Continued work on our problem-resolution** initiatives such as solving the issue on the first call and reducing call-backs — When customers call us with a problem with their shipment, let's keep our conversations pleasant and do everything possible to solve the problem during the first call. And remember, *it may be one of millions of packages to us, but the most important shipment **ever** for the customer!*

**An improved tracking experience** and shipment visibility — With today's ever-evolving technology, our customers demand instant, accurate, and easy-to-access shipment status. As a result, we must continuously enhance and improve the FedEx tracking experience. Perfect execution of all required scans and immediate posting are the foundation of all successful customer interactions. Customers expect FedEx to know exactly where each of their packages is at all times.

We've already taken many actions on each of these six initiatives! And having made some key changes across FedEx, we're now seeing some important payoffs.

For example, to improve on-time delivery, FedEx Express and Ground have added a second label when accepting packages to reduce lost or unreadable labels. And we've introduced a pop-up window on fedex.com to remind customers to enter missed floor, suite, or apartment numbers. In the past three years we've enjoyed excellent results: address-related late deliveries are down 30% at domestic FedEx Express operations and 21% at FedEx Ground!

FedEx Express achieved big improvements on the international clearance front, experiencing an 11% reduction since 2012 of clearance-related errors across various regions of the world.

FedEx Freight often uses rail as a reliable, cost-effective way to deliver FedEx Freight Economy. Through QDM analysis, Freight began using air bags as fillers in loaded trailers to provide better shipment protection. That, in turn, is improving the customer experience and contributing to FedEx Freight's being the premier LTL service provider. QDM efforts remain an important part of damage reduction efforts all across FedEx Freight.

Another example: FedEx Ground and FedEx TechConnect have changed the call-back window for Ground shipments from 24 hours to 2 hours. The results? Already a 20-point jump in customer satisfaction since last year.

If you're in a staff support position and wonder how to apply QDM to your work, you can take inspiration from a joint team of sales and human resources, which used QDM to reduce the time District Sales Managers spend recruiting new Account Executives. This QDM solution saved 5,000 hours for District Sales Managers in 2014, allowing them to devote more time to coaching their teams for improved revenue growth.

Certainly, we have a formidable task to constantly deliver the Purple Promise — I will make every FedEx experience outstanding — to each and every customer, especially within a highly competitive market such as ours.

QDM can help systematically identify the root causes of customer issues and generate practical solutions that work for the long haul. But quality improvement requires teamwork, and nothing is more critical than tapping into the knowledge of those closest to the work. So QDM success depends on every team member taking the customer experience to the next level.

Moreover, FedEx can increase capacity, streamline processes, and provide more tools, but your discretionary effort is the “secret sauce” necessary to make every FedEx experience outstanding and keep the Purple Promise.

When you see a challenge or issue in your area, please never accept this as “business as usual.” Figure out how you can step up your game in terms of your contribution to providing unmatched service for each shipment and customer. Every day, please think about how you can improve every function.

Once you’ve thought of a new way to improve your work, share the idea with your team members and Manager. Communication is the bedrock of a knowledgeable, committed team that moves together in the right direction. Sharing ideas and best practices often means colleagues in other areas don’t have to reinvent the wheel.

You can change FedEx for the better, whether you deal with customers on the job each day or not. Opportunities abound to make every customer’s experience so outstanding, they would never use any company but FedEx!

Speaking of outstanding customer experiences, I’d like to highlight some excellent examples from our international regions in this issue—as part of our new international version of my bi-annual From the Chairman letter. From now on, besides the U.S. online version, you’ll also be able to access the international online version, still translated into 14 languages. I believe the international version will help all team members realize the impressive contributions of our regions.

## APAC

The Asia Pacific (APAC) region has been concentrating on both operational improvements and delivering the Purple Promise.

Regarding operations, APAC developed a solution to route Hanoi inbound shipments via Singapore for customers in Vietnam. This new process enables shipments to enter Express Customs 24 hours earlier and to be released within one day. It also reduces international commercial line haul costs. Also, the clearance operations team has worked to streamline the inbound clearance process between Suzhou Industrial Park and Shanghai. The new process makes it easier to handle customer paperwork, improving inbound clearance by up to a day. Another example: When the APAC team members found out customers weren’t happy with how certain pricing was reported, they immediately formed a Quality Action Team (QAT) that replaced

the complex manual process with an automated system. Now APAC proactively notifies customers of their upcoming billing.

APAC is very proud of its ongoing efforts to deliver the Purple Promise. The launch in Korea of the Purple Power Campaign to increase customer satisfaction helps couriers build their customer communication skills through role-play. The campaign so far has increased the number of compliments from customers by an impressive 60% year-over-year.

FedEx also topped the Customer Satisfaction Index of Singapore in the Transport and Logistics Sector again in 2014. In addition, two team members from China Domestic Express Operations received the FY14 Purple Promise Chairman Award.

## Canada

A key focus area in Canada is giving customers more options and easier access to FedEx. Over the last year, the region has established retail alignments with two Canadian retailers - Home Hardware and Super C supermarket – to house full-service FedEx Authorized ShipCentres within their stores. As well, Canada has opened seven additional FedEx Office locations. By the close of FY15, the region plans to increase the number of locations offering FedEx services by 65%.

To support that goal and our retail partners, Canada’s local IT and marketing teams developed FLASHPAD technology. It allows retail partners to capture shipment data in the blink of a scan. It automates manual processes, reduces courier transaction time by giving our partners the ability to scan, and improves the overall customer experience.

Besides providing more convenient touch points for customers, these alignments play a key role in the execution of Canada’s e-commerce strategy. With e-commerce expected to grow significantly, FedEx is well positioned across all opcos, to respond to the changing needs of Canadian customers.

## EMEA

With the investments we’ve made in the Europe, Middle East, India and Africa (EMEA) region over the last three years, we’re in an excellent position to capitalize on growing revenue as economic conditions look more favorable across this region.

EMEA’s expansion includes over 100 new stations across Europe, three new flight points, the completion of three acquisitions (France, Poland and Southern Africa), and the successful integration of its businesses in India. These efforts

expand our reach and capabilities and bring more customers on board.

The EMEA region is becoming an even bigger and stronger part of the FedEx global organization. It has the momentum, the network and the people to exceed customer expectations. However, EMEA is a very competitive market, so it remains focused on delivering outstanding service, growing the right revenue for our business, and continuing to control costs. For example, the region has outlined a Customer Experience Program to bring an enhanced customer experience to market.

EMEA will continue to focus on service reliability and to create a differentiated position for FedEx in the EMEA market.

## LAC

Latin America and the Caribbean (LAC) continues to make big investments in its fast-growing markets to provide customers with greater value. Not long ago, our business in this part of the world was primarily International. Now through aggressive acquisitions in Mexico and Brazil, and the diversification of our portfolio in other LAC countries, the region is capitalizing on more opportunities for long-term, profitable growth.

For example, LAC opened its FedEx Hub Nacional México last April. The hub, the most advanced FedEx Express distribution center in Latin America, positions LAC to obtain a larger market share through expanded domestic coverage and its retail network in Mexico. The state-of-the-art facility helps team members improve the customer experience with more efficient deliveries in the country.

In Brazil, LAC continues to integrate Rapidão Cometa and invest in tracking technology to grow domestic solutions. LAC now has the largest air and ground transportation infrastructure of any private sector company in Brazil. Combined with our PSP culture, this gives the region a unique competitive advantage.

The LAC division continues to maximize its overall infrastructure by offering a wide range of shipping options to accommodate various customer needs. Each country is playing a vital role in the success of the division's growth strategy, and this is an important moment of growth and evolution for LAC.

Congratulations to all the regions for your outstanding work. Your efforts are vital to the success of FedEx worldwide.



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