

Rethinking Innovative Strategies: Building a Collaborative Intelligent Dashboard to Capitalize on Market Opportunities

Company and Organizational Profile

The FedEx group of companies ("FedEx") constitutes the world's largest provider of express delivery services. We employ 425,000+ employees worldwide and have gross annual revenue more than \$60.3 billion. We connect people and possibilities around the world. At FedEx, we deliver more than packages. We deliver joy during the holidays. We deliver hope to survivors of natural disasters. We deliver expanded potential for growth and jobs by helping businesses reach new markets.

Within FedEx, the Sourcing and Procurement organization operates under FedEx Services. Our Sourcing & Procurement (S&P) mission is to exhibit best-in-class characteristics that enable us to achieve savings, optimize processes, and deliver a high service level to all key stakeholders. Our organization is led by a Vice President reporting directly to our company's Corporate Vice President/Principal Accounting Officer. We are a multi-faceted organization with supplier relationship, risk management, procurement operations, and compliance groups. We currently manage over \$13 Billion in sourced spend across the Enterprise and employ over 175 FTEs in our S&P organization.

Information: The Most Valuable Commodity

Purchased Motor Transportation (PT) is a steadily increasing spend category where FedEx utilizes 3rd party contracted carriers to meet network requirements. FedEx offers three core logistics services: FedEx Express (FXE), FedEx Freight (FXF) and FedEx Ground (FXG), each a separate operating company (OpCo) with different operating models and intricate network designs. Over the past several years, FedEx has accumulated massive amounts of PT data making holistic analysis difficult. Additionally, there is limited understanding of quantifying rate drivers. Our processes lacked an Enterprise view to enable data-driven decisions to capitalize on changing market conditions, often resulting in higher contract rates. Previous bidding events were driven by increased demand, service failures, and contract expirations. Additionally, in the past, consulting firms recommended a commoditized strategy which hindered relationships between operations and carriers. With a fast-changing market and lack of appropriate external benchmarks reflecting FedEx service levels, sourcing realized the importance to go digital by taking an Enterprise-wide holistic view at the PT operations, resulting in the project charter.

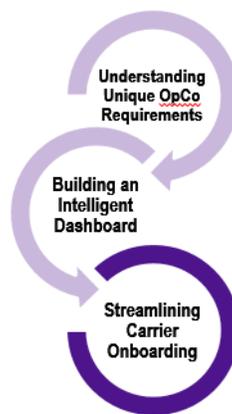
You Can't Improve What You Don't Measure

The problem that we were trying to solve was creating better visibility from an Enterprise perspective on how FedEx utilizes 3rd party PT, and the factors that drive Go-to-Market decisions. Each OpCo approached market using their own strategy for PT requirements, driven by capacity, service needs, and contract expirations, in a reactive manner due to limited visibility into the market. We realized that we needed a platform

for real-time monitoring of the US motor transportation market to be more resilient to dynamic market conditions.

We felt this project would be welcomed because, FedEx Services, as the shared services arm of the corporation, has a unique Enterprise perspective. Since the FedEx OpCos **“Operate Independently, Compete Collectively, Manage Collaboratively,”** we can provide guidance on market approach. Additionally, we received Voice of Customer (VOC) feedback from our stakeholders that most of the available tools in the market offered limited customization capabilities. Knowing our team had the business acumen and bandwidth, we decided to build the platform in-house.

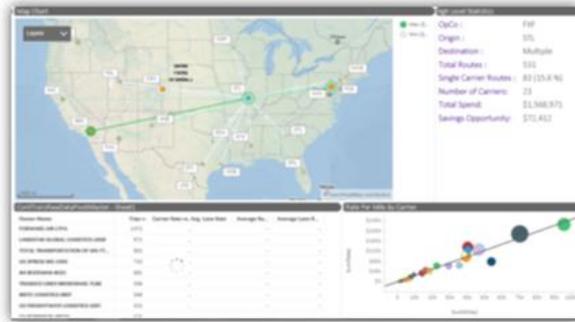
The proposed solution was a holistic three-pronged strategy:



- **Pillar 1** - Understanding unique operational parameters to meet capacity and service requirements



- **Pillar 2** - Develop a real-time monitoring system (intelligent dashboard) for the US motor transportation market to ensure FedEx pays a competitive rate and reacts quickly to dynamic market conditions



- **Pillar 3** - Increase speed to market by improving contracting approach and streamlining carrier onboarding processes. This is our strategy enabler.



Stakeholders were identified from Operations, Line-Haul Engineering, Network team, Freight Forecasting, Marketing Analytics, Finance, Taxation group, Internal Audit and IT. This project has been a true collaboration to harness synergies from across all the business verticals in the organization.

To implement the solution, the team followed the VOC approach with our operations stakeholders to obtain inputs on various functionalities, prioritized based on impact, feasibility and leverage opportunity. The functionalities were mapped to design specifications using a quality function deployment framework. The team leveraged Big Data, Robotic Process Automation, and Machine Learning. Risk assessment was carried out using a framework around Process, System, Design, Data and Cyber Security and the risk tracker was updated weekly to provide milestone risk visibility.

Success of this project is defined through the collaboration and key connections made with our stakeholders, and adoption of the Intelligent dashboard. This has resulted in a paradigm shift as operations now looks at sourcing as a trusted business partner. We have also defined success through the minimum financial investment incurred to develop the Dashboard by utilizing all in-house resources.

Success of this project is measured by the adoption rate of the platform - our operations stakeholders will now be able to better utilize their time for strategic thinking with access to powerful analytics with the click of a mouse. Additionally, we used 17 Six

Sigma tools to optimize the carrier onboarding processes, resulting in an average cycle time reduction of 36% across the Enterprise, which further improved our speed to market thus enabling our strategy. The team recently launched the Dashboard which currently handles more than 13 million records and weekly information processing time was reduced from 10 hours to 15 minutes.

Success Breeds Complacency: Digital Transformation Requires Change

Interesting fact about FedEx is that we are always changing to meet the demands of our customers, however, internal change can pose a challenge. Implementing change across an Enterprise requires a vision and a plan to successfully address and manage change. We addressed this proposed change through digital transformation with an understanding that change management requires a mindset built upon emotional intelligence, transparency and adaptability to maintain relevancy and avoid complacency. Change cannot be ignored, it must be addressed to ensure future success. Our chairman, Fred Smith, said it best, ***“If you don’t like change, you’re going to hate extinction.”***

Taking a step back, we did an internal assessment that reactive sourcing approaches weren’t working. Before we could influence change across the Enterprise, our team had to embrace the fact that change was needed, and we had to get clarity on what that meant. With clarity established, we had to have courage to step into the arena and dare greatly. We knew it wasn’t going to be easy. We started by promoting adoption at the very beginning of the project through establishing trusted stakeholder relationships to ensure an understanding of operational needs and areas of opportunities. Once we understood and were in alignment, we leveraged our robust governance to charter and scope the project to drive accountability, transparency, and change management. The team adopted top-down engagement approach by aligning with the CFO’s individually and held quarterly Procurement Leadership Council (PLC) meetings. The Enterprise PT Strategy enabled sourcing to secure the highest level of executive visibility; it’s the only innovative sourcing project specifically requested to be presented to the Strategic Management Committee (SMC), headed by the Chairman of FedEx Corporation and the CEOs of the operating companies. Regular updates were carried out through bi-weekly status updates and specific stakeholder engagement meetings.

Sourcing continues to ensure success by conducting training sessions with operations stakeholders and benchmarking the platform with internal data science & forecasting teams, and external big data platforms. We created a culture around “being curious” and “continuous learning/knowledge sharing”, which are bellwethers of future success. Sourcing continuously updates governance processes that support implementation, monitoring, and evaluation of innovative projects. Additionally, we are developing and standardizing the right performance metrics to safeguard future benefits. The Intelligent Dashboard was built with a future state in mind, a scalable model to ensure that innovation is sustained in an ever-changing market. We will make continuous improvements with an AGILE approach, as well as, explore Artificial Intelligence algorithms in the future.

Every project presents an opportunity for reflection and for areas of improvement, this project was no different. Looking back, we could have planned project timing to better align within the fiscal budget cycles for optimal resource utilization. Additionally, we should have allotted more time for the contracting process in securing market data, as well as, pushed for additional resources to provide additional bandwidth to navigate the process faster.

Our strategy and framework are universal which can be applied to any company facing a digital transformation. We created a product that gave us the best of both worlds...using resources from our own industry experts (our operators), and at reduced costs! We found that most resources needed to solve our problem were right under our own roof. We were amazed by the number of key connections made across the Enterprise. Don't be afraid to step out of your comfort zone to collaborate with resources that may already exist within your company. Consider internal information the most valuable commodity and understand that digital transformation requires a change mindset. **Rethink your strategies, Leverage transformative technologies** to disrupt digitally, then **Harness the collective genius** of your company to capitalize on market opportunities.