**Mini-Case**

**FedEx and United Parcel Service (UPS): Maintaining Success while Competing Aggressively**

Identified recently as one of the 50 greatest or most intense competitive rivalries of all time, FedEx and UPS are similar in many ways, including their resources, the markets they serve, and the competitive dimensions that they emphasize to implement similar strategies. These similarities mean that the firms are direct competitors and that they are keenly aware of each other and have the motivation and ability to respond to the competitive actions they take against each other. The two firms are the largest global courier delivery companies in what is a highly competitive industry on a global basis.

FedEx and UPS compete in many of the same product markets, including next day delivery, cheaper ground delivery, time-guaranteed delivery (both domestically and internationally), and freight services. However, the firms concentrate on different segmentsin attempting to create superior stakeholder value and to avoid direct, head-to-head competition in a host of product segments and markets. In this regard, FedEx “intends to leverage and extend the FedEx brand and to provide customers with seamless access to its entire portfolio of integrated transportation services,” while UPS “seeks to position itself as the primary coordinator of the flow of goods, information, and funds throughout the entire supply chain (the movement from the raw materials and parts stage through final consumption of the finished product).”

Thus, while these firms are similar, they also seek to differentiate themselves in ways that enhance the possibility of being able to gain strategic competitiveness and earn above-average returns. In broad-stroke terms, FedEx concentrates more on transportation services andinternational markets. (Recently, FedEx was generating 48 percent of revenue internationally, while UPS was earning 22 percent of its revenue from international markets.) Meanwhile, UPS concentrates more on the entire value chain while competing domestically. FedEx is the world’s largest international air shipping firm, while UPS is the world’s largest package delivery company.

There are many actions the firms have recently taken to sharpen their ability to outcompete their primary competitor. In mid-2013, FedEx learned that its contract to fly domestic mail for the U.S. Postal Service had been selected for renewal. UPS also bid on the contract, and thus it lost this competitive battle to its rival. To support its strength in logistics as part of the entire supply chain, UPS recently agreed to buy “Hungary-based pharmaceutical-logistics company CemelogZrt for an undisclosed amount in a deal to strengthen its health-care business in Europe, giving it access to the increasingly import- ant markets of Central and Eastern Europe.” UPS is also emphasizing trans-border European Union services as agrowth engine for the foreseeable future. To enhance its ability to compete against UPS and other rivals as well, FedEx is restructuring some of its operations to increase efficiency. Similarly, the firm is increasing its emphasis on finding ways for its independent express, ground, and freight networks to work together more synergistically.

Although the rivalry between FedEx and UPS is intense and aggressive, it is also likely that this rivalry makes each firm stronger and more agile because each has to be at its best in order to outperform the other. Thus in many ways, each of these firms is a “good competitor” for the other one.