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### FedEx: Personal Touch

January 13, 2005

By [Deborah Gage](#)

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Fifteen days 'til Christmas at the FedEx customer service center in Fullerton, Calif., and the calls never stop for Lynn Steward.

Sitting in front of her computer screen in a cluster of cubicles on the call-center floor, surrounded by tinsel and Christmas lights and the constant murmur of conversation, Steward—headset in hand—scarcely has time to catch her breath before the next customer is on the line.

"My package hasn't arrived," reports one caller, like others to follow. "Can I change my pickup time?" another asks. "FedEx left my package on the ground. I thought I was supposed to sign for it," a third complains.

Steward doesn't lose patience. In fact, she enjoys her job. She has worked for 19 years in FedEx's customer service department, and it is easy to imagine her as the preschool teacher she once was. Her voice is soothing but firm, one that welcomes customers' requests and acknowledges their complaints without indulging them.

"I'm sorry," she says calmly, again and again, her voice resonant with sympathy. Then, quickly, she focuses on getting an answer to a question or resolving a complaint.

Using software that FedEx started installing in its call centers in 2001, she can handle a routine call—such as a request to pick up a package—in 20 seconds. By plugging in a name, which leads to a ZIP code, which in turn leads to a tracking number, she resolves a complicated complaint about a FedEx driver who misunderstood a note the caller had left for him—and thus misdelivered a package—in less than 10 minutes.

Steward is one of Fullerton's most efficient reps, and on this day she handles 10 callers in about 45 minutes. However, most customers didn't need to talk to Steward to get their problems solved. Assuming they had computers that they knew how to use, at least six of them could have used FedEx's Web site, [www.fedex.com](http://www.fedex.com), which the company launched in 1994.

This is a dilemma for FedEx and every other company trying to save money on customer service by making their customers use the Web. Customers still like to call, especially if they think they have a problem, and they like to talk to a person, ideally a person as pleasant and competent as Lynn Steward.

For every anxious caller that FedEx diverts to its Web site, the company saves as much as \$1.87. FedEx says its call centers handle 83,000 fewer calls per day than in 2000—currently 470,000 calls per day—a saving of \$57.56 million per year. FedEx also claims that its Web site handles an average of 60 million requests to track packages per month. These requests cost FedEx 3 cents each or \$21.6 million per year, but would cost over \$1.36 billion per year if all those people called. Still, by allowing its customers to keep calling reps like Steward, FedEx spends nearly \$326 million per year.

One reason for this expenditure is that the cost of a customer being frustrated by the company Web site is incalculable, and most customers are easily frustrated given the current state of Web design. People are willing to encounter one or two obstacles in a system, maybe three at most, says Eric Mathews, associate director of the FedEx Institute of Technology. But then, "they totally abandon it."

Meanwhile, the company that amazed its customers by inventing the Overnight Letter and Saturday delivery now risks disappointing them if a package is even 15 minutes late. So customer service must adjust.

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### **No Overnight Success Story**

Since 1971, when FedEx was founded as the Federal Express Corp., the company has been a leader in using technology to streamline the delivery of packages. Steward and her manager, Beverley Hight, both recall how excited customers were in the mid-1980s, when FedEx could prove that packages had been delivered because they were scanned. "With other companies, you had to wait until the next day or a week later," Hight recalls.

By 1999, FedEx found itself in businesses ranging from logistics to regional freight to custom shipping of critical items. Information about customers was scattered in computer systems inherited through 14 years of acquisitions. At the same time, customers who used more than one FedEx business were not treated consistently, as company executives discovered when they pretended to be customers themselves. For instance, says systems VP Scot Struminger, customers claiming damages were filling out 37 fields on a claims form—tracking number, ship date, etc.—even though FedEx already had data for 33 of those fields in its computer systems.

During strategy meetings that year, executives at several levels decided to rebrand the entire company as FedEx. For the information-technology department, this meant that FedEx's subsidiaries could share common functions like package tracking without having their entire computer systems ripped out.

Meanwhile, FedEx's customer service centers were redesigned around a PC-based software desktop. If reps could pull up historical data on customers whenever they called—not just their shipping histories, but their preferences and even images of their paper bills—FedEx could provide better, faster service, both to individual customers and to businesses that sold goods through catalogs.

The customer service makeover started in 2000, when FedEx bought customer relationship management software called Clarify from Nortel. Nortel had acquired Clarify in 1999 for \$2.1 billion, but then sold its assets to Amdocs in 2001—a year into FedEx's implementation—for \$200 million in cash, an indication of how much the value of the software had plunged under Nortel's ownership.

Even so, the handoff created few problems for FedEx, Struminger says. One reason is that systems and customer service at FedEx are equally responsible for the call centers. As Struminger's team pulls new data into Clarify, new services are added to the call centers. Soon, for example, groups of specialized reps—reachable through FedEx's Integrated Voice Response System—will be resolving customs disputes for customers of both FedEx Express and FedEx Ground.

FedEx claims that its customers are happier now than they were in 2000 or even in 2003—although it refuses to provide data to back up that claim. In a cutthroat industry like package delivery, says Gartner research director Esteban Kolsky, no company will provide such data because customer service is all that distinguishes it from competitors. FedEx also says its call-center reps are happier and that turnover has fallen by about 20%. Steward says she feels better because it's easier to help customers, rather than just "enter into a transaction and hope it all works out."

But even as FedEx steps up its use of technology, its business grows more complicated. Hight

and Steward both say their biggest challenge is to keep up with it all—new training, new procedures, new software. On Dec. 13, holiday shipments peaked at over 8 million packages. Every day FedEx moves an average of 5.5 million packages, using over 600 aircraft and 71,000 trucks. Inevitably, deliveries are missed and packages are damaged. And when that happens, FedEx's 4,000 customer service reps are the company's first line of defense.

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### Quality vs. Quantity

At the call center in Fullerton, the reps are judged first on call quality—are they polite, do they provide customers with the right information, or do they force customers to call back? This is a change from a few years ago, says Hight, when productivity was considered most important. But today, callers who get through to the call center are either determined to talk to a human being or have problems that FedEx's Web site and its voice-response system can't yet solve. Either way, these callers require more time.

FedEx has a number of ways to tackle this problem. Reps are regularly evaluated and rewarded for meeting clearly stated goals. Friendly competition among teams of reps is encouraged. One bulletin board along the hallway in Fullerton is covered with certificates of merit proclaiming "Bravo Zulu!"—the phrase that CEO Frederick Smith, an ex-Marine, likes to use to mean "good job!"

FedEx studies reps' behavioral techniques to discover which ones work best with customers. Steward's technique is considered effective. The company found that reps who have no time limits with customers tend to talk too much. Customers view them as "chatty" or "overly nice" and ultimately develop a negative impression of FedEx. "Customers want the facts," says customer service VP Sheila Harrell. Better if the rep solves the problem the customer called about and gets off the phone.

And reps are encouraged to tell FedEx's information-technology department how well the Clarify software helps them do their jobs. Conference calls are held once a month by technology liaisons who discuss, for example, whether reps have to click too many times to get to a certain screen.

During Steward's 45 minutes on the floor, she had to quickly reboot her software between calls because the Clarify desktop became what she calls "swollen." The interface had spread beyond the borders of her monitor, forcing her to scroll around it during calls and knocking precious seconds off her productivity. This could have lowered her evaluation for the day.

There will be no misaligned desktops in the next version of Clarify, which Struminger plans to adopt once he thoroughly understands the impact on FedEx of software that Amdocs has redesigned. In fact, says Amdocs VP Charles Born, the vendor developed much of this new version after designers watched FedEx's reps flipping rapidly between applications as they talked to customers.

Instead of being hard-coded so it follows certain predefined processes, the software will now change as the rep and the caller interact. Amdocs' designers restructured Clarify so that it can directly interface with Java code, Struminger says—this allows reps to switch between applications during a call without re-entering customer data. For example, if a customer needs directions to pick up a package, the rep could tab over to the mapping software, which would bring up all the account and ZIP code information linked to that customer. She could then read directions to the customer without re-keying or leaving the main screen.

Meanwhile, engineers stationed in the call centers continue to seek ways to make FedEx transactions move faster. They are figuring out how to resolve problems while shifting things that customers call about most frequently to the Web. Harrell, the customer service VP, won't reveal FedEx' next move, but says her challenge is to get the call centers to the point where "the rep never has to put the customer on hold."

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## Cries for Help

By around 2010, the call center will be the nexus for all customers who need to interact with companies like FedEx, says Mathews of the FedEx Institute of Technology. Whether a customer approaches FedEx through a PC or a phone or some other device, Mathews says software will evaluate the difficulty of the customer's problem and decide when human intervention is required.

To handle some human tasks, researchers at the institute are working on intelligent software that would certainly not violate call-center dress codes or spill liquid on the computers. After all, even though 32% of Lynn Steward's performance rating is based on the quality of her calls and 17% on her efficiency, the other 51% is administrative—attendance, adherence to scheduled breaks and compliance with regulations.

But one wonders whether researchers can make software that is so empathetic, it knows how to respond when customers cry. Steward finds these calls the hardest—the ones where FedEx has failed to deliver paychecks or life-saving medicines and she has to figure out what to do. She says it's hard to listen to these callers without crying herself because she already feels bad for them. "But then we both regroup," she says, and she finds whatever resources FedEx has to get the problem solved. This, after all, is a job for FedEx.

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## Fedex Base Case

Headquarters:  
942 S. Shady Grove Rd.,  
Memphis, TN 38120

Phone: (901) 818-7500

Business: Delivers packages and provides other business services in 215 countries and territories.

Chief Information Officer: Robert B. Carter

Financials in fiscal 2004 (through May 31, 2004): Revenue \$24.7 billion; net income \$838 million.

Challenge: Continue to improve customer service without raising costs.

Baseline Goals:

- Improve productivity 5% a year, from \$126,176 of revenue per employee in fiscal 2004.
- Grow revenue 10% a year, from \$24.7 billion in fiscal 2004.
- Improve margin of operating profit to 10% of revenue, from 5.8% in fiscal 2004.

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