

Constant Renewal:

A Model for
Enduring High Performance



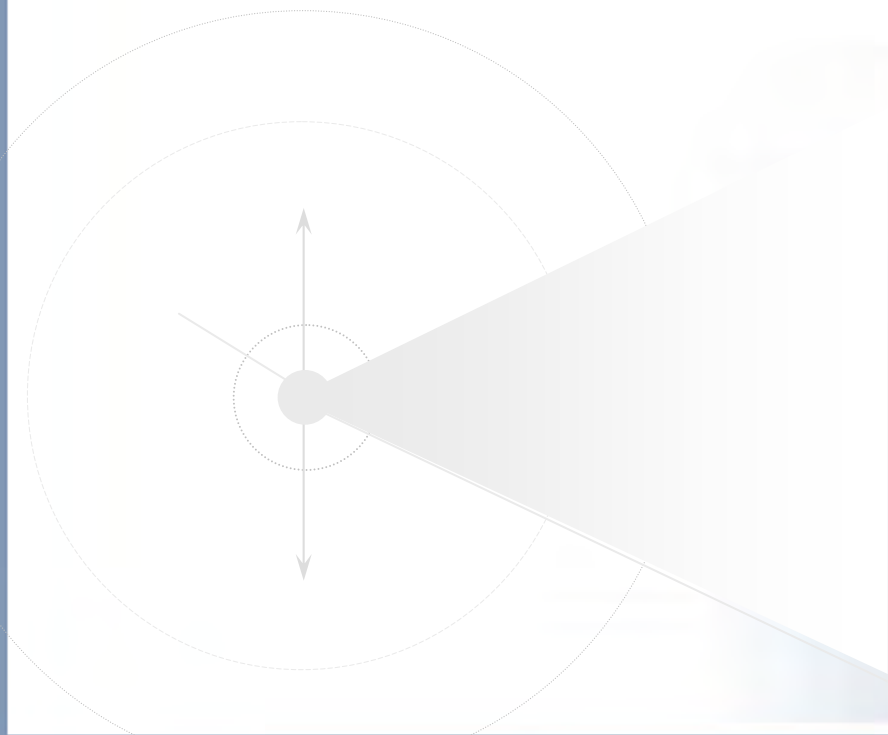
Tom Schmitt

Senior Vice President
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Shaping FedEx –

Visible Signs of Our On-going Evolution



What makes a product or a company become a household word?

- *In the United States, Coca-Cola is synonymous with “soft drink” and has been for more than 40 years.*
- *People say ‘Kleenex’ when they mean any brand of tissue.*
- *People say ‘FedEx’ when they mean overnight.*

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FedEx became a symbol of a hip new kind of company in the United States.

Even comic strips liked to refer to FedEx

One-time permission only - can't use again



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Growing up fast – from start-up to a billion dollar company.

From start up to a billion dollar company



From an \$84 million capital investment, Fred Smith purchased 33 Dassault Falcon corporate jets and painted them in bold purple and orange colors.

- In less than 10 years, FedEx was a billion-dollar company—the first U.S. corporation to achieve that benchmark revenue without the benefit of a merger or acquisition.

Moving from boxes to bytes.

- For today's businesses, information about the exact whereabouts of shipped goods is just as important as the actual delivery of the cargo.
- That's why we've invested **billions** of dollars over the years to build an information technology network that has changed not only the way we do business, but they way **you** do business as well.

From Letters to Logistics.

- In April 1973, FedEx delivered 186 packages in 25 cities
- Today FedEx is a 30-billion-dollar corporation offering services to more than 214 countries.
- More than 6 million shipments every business day move by a FedEx company.



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The FedEx unique style of management did not go unnoticed.

Fortune Magazine ...

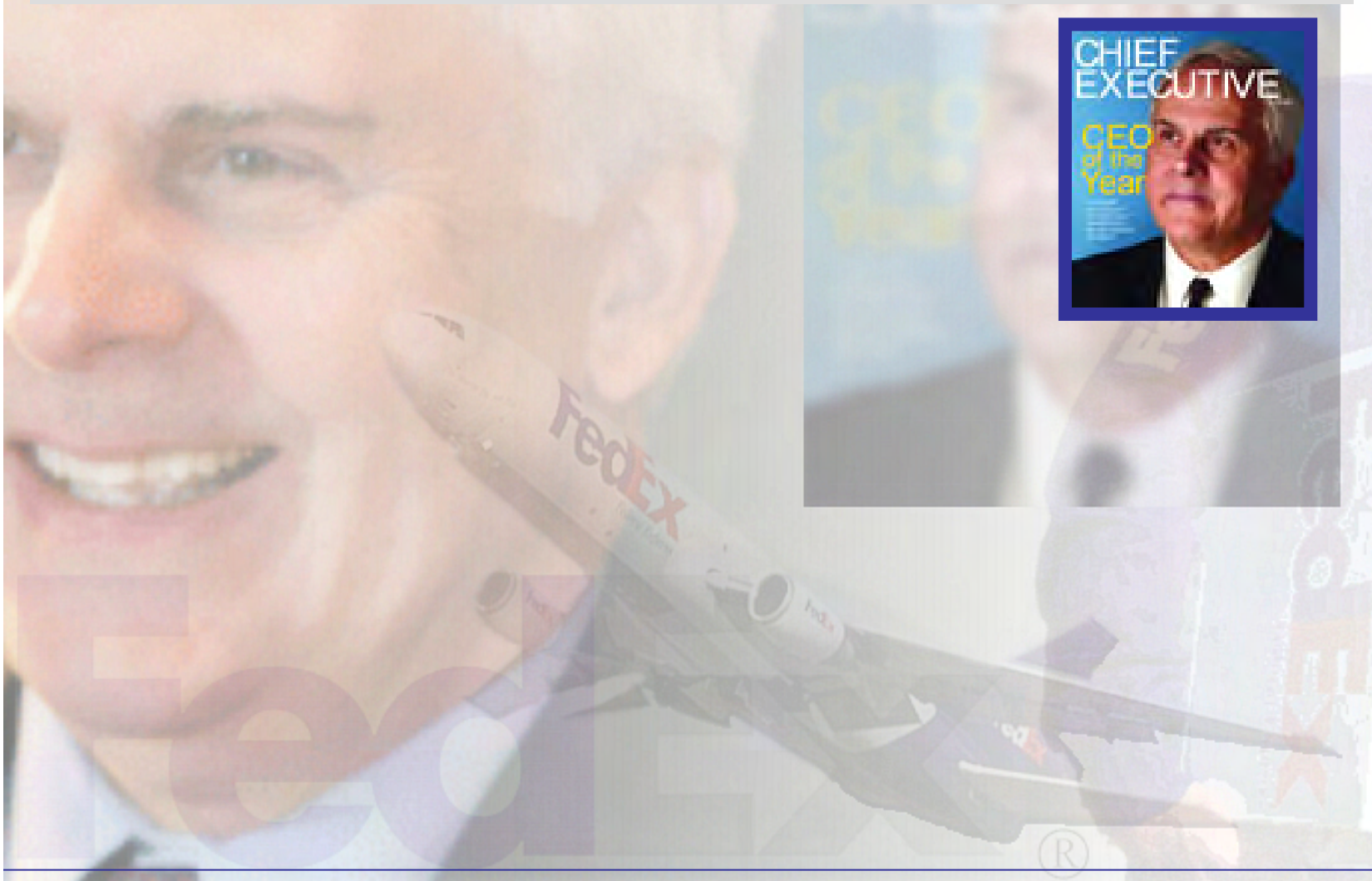


- "World's Most Admired Companies" list, No. 8 (2005);
- "America's Most Admired Companies" list, No. 6 (2005); No. 1 on the "Delivery Industry List"
- "100 Best Companies to Work for in America" list, (1998-2005)

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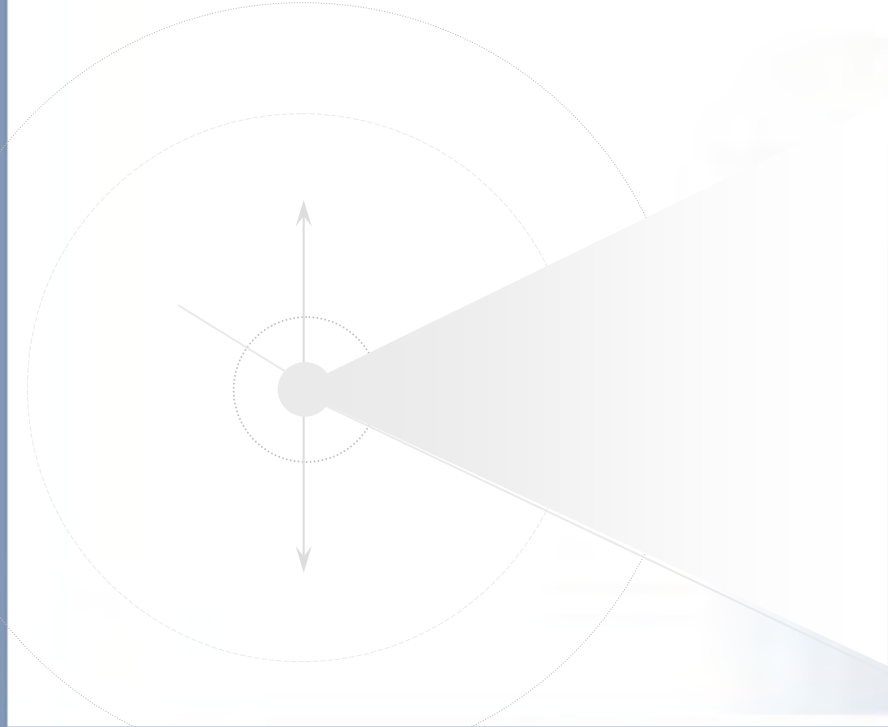
CEO Magazine

Fred Smith named CEO of the year (2004)



CONSTANT RENEWAL

The FedEx DNA - Driving This Ongoing Renewal



The FedEx DNA - What Drives This Ongoing Renewal

1. Visionary Leadership
2. Operational Excellence
3. Customer Centricity
4. People First
5. Expectations for Ongoing Leadership Renewal



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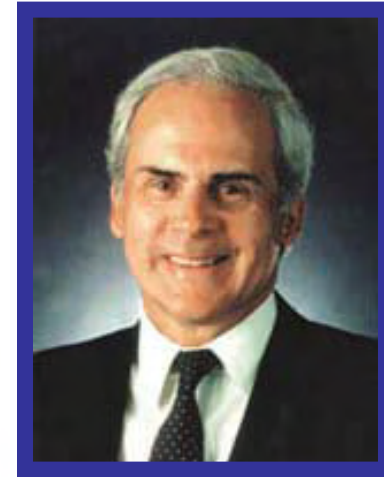
1. Visionary Leadership

FedEx began as a term paper and grew into an industry we didn't even know we needed.

Fred Smith said it was possible to send overnight letters *all over the world* by routing them *through Memphis, Tennessee*.



Turns out he was right.



FedEx®

FedEx Changed the Face of Business in America.

**AMERICA,
YOU'VE GOT A
NEW AIRLINE.**

"Next day" became the rule,

NOT the exception



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2. Operational Excellence

Operational excellence made the hub and spoke system work for FedEx

- 10-15 scans for every package that moves through FedEx
- Sales dashboards to measure performance
- Same-day contingency plans for inclement weather or disasters

FedEx®

3. Customer Centricity

Combining operational excellence and a true customer centricity was the winning combination.

- FedEx achieved service excellence by going for root causes and managing in a service quality index from day one.
 - WAR 1/10/100 operations style
- More and more, the company began turning to its customer to ask how the FedEx experience could be better.

The Customer Summit:

Bring on the customers – the grumpier the better.

- Every year FedEx executives – from the Chairman on down sit for two days and get chewed out.
- We listen to the grumpiest customers we can find.

- ◆ We get feedback from customers on how we're doing and how we can make things better.
- ◆ At FedEx, when our customers talk, we don't just listen – we do something about it.

At the heart of the Customer Summit (*as well as everything else we do*) is a promise.

- You'll see Purple in the logos of all our operating companies – it's what unites us. It's also a promise.
- We change the way the world works and lives when we do one simple thing: put customers at the center of everything we do.

"I will make every FedEx experience outstanding."



THE **purple** promise



4. People First

Putting customers first comes easy for FedEx employees – FedEx has always put them first.

- In a country where capitalism reigns supreme, we said people and service ought to come *before* profit.
- We not only said it out loud, *we wrote it down and made it official.*
- From the beginning, PSP – “*People-Service-Profit*” – has been the backbone of FedEx.

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FedEx made it clear – its people came first.
FedEx people responded by putting the customer first.

- Legends were born in the early days of FedEx, fueled by the resourceful spirit of its employees.
 - Pilots loaded packages onto planes
 - Couriers sometimes used their own cars.
 - Once a pilot used his personal credit card to refuel his aircraft
 - A part-time courier pawned his wristwatch so he could fuel the delivery van.

That passion lives on today.

- It's what has kept that 1973 entrepreneurial spirit alive through four decades.



5. Expectations for ongoing leadership renewal

PSP is still alive at FedEx today and with it a new kind of leadership is emerging.

- Some people prefer leaders who think with the rational, analytical left side of the brain.
- At FedEx, we don't think that's a good balance.

FedEx®

Balanced Effectiveness

- Engaging the hearts and minds of your team and getting the results you want.

