

Answers to questions asked by case materials

1. What analyses are needed

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2. What decisions t/b made

NOTE

- all May 1976 numbers inflated by UPS strike (frnt g, 33)

Market size (17)				π Analysis (15)	
	1974	Annual Gr rate	1975	1976	FY 1976 (15)
Emergency	2.5	25%	3.1	3.9	Revenue 75.0
Rush	15.5	25%	19.4	24.2	Oper Exp (65.3)
Routine *	122.3	19%	145.9	174.0	Int (6.0)
Total	140.3		168.4	202.1	Π 3.7

* Assuming 20%+ growth for non-routine services, the weighted avg growth rate for routine services is calculated as follows:
 $.25(2.5) + .25(15.5) + 122.3(x) / 140.3 = 20\%$
 where x = 0.19

Package dynamics (18)			Market Info		
Generally			avg per day		
avg pkg weight	14 lbs		Market	FedEx	
weight / space	10 lbs = 1 cubic ft		Non-CP	My 1976	6 mos
CP			CP (13 + 26)	55,000	1,300 6,000
P per CP [Q = 5 +]	\$12.50 (+ 2.50 for hazardous + 5.00 for signature Security)		Total (App 8)	870,000	19,000
CP / day / user (26)	0.45				
Number of users (26)	[6000 / 3.5] / .45 = 3,810				
Growth target	6,000 CP / day				
- Desired CP/user	6000 / 3810	1.58 CP / user / day			
- OR desired users	6000 / .45	13,333 Users			

Flight Dynamics (25)			Advertising Effect (20) - measured in March 1976			
avg weight	4900	lbs	ad run in	Growth		Added Gr
space filled (10/1)	490	cubic ft	NY / LA	w/o advert	w/ advert	from Advert
% volume filled	85%		e summer 19	48%	89%	41%
Total volume avail	576	cubic ft	DCPD	fall 1975	34%	46%
Total capacity	5765	lbs				12%

Marketing Costs									
Old direct contact system (20)									
#	Cost		Contacts			\$ cost / contact	Per rep Accts (23)	cost / Acct	visits / annum (24)
	ATC	total	range	per annum	total				
Senior Acct Managers	35	31,000	1,085,000	5-8	2,152	75,320	14	70	15,500
Customer Service Reps	75	18,000	1,350,000	8-10	2,690	201,750	7	101	13,366
Total	110		2,435,000			277,070	9	171	14,240
Proposed (26 & App)									
Hotline	2,770 / month =	Total	Avg / day	avg / day / user				CP B/E Unit Vol	
		33,240	91	0.02				4,029	
Periodicals (Exhibit 12)									
		ATC	range		avg (000)	actual \$			
- Vertical Public		2,603	17000 - 201000		75	0.035	315		
- General Public		21,846	1564000 - 3502000		2,344	0.009	2,648		
= Business Week		12,000			1,564,000	0.008	1,456		
= WSJ		28,000			1,733,000	0.016	3,394		
Daily Newspapers (Exhibit 13)									
		9,800	460000 - 1000000		710	0.0001	1,188		
30 Second TV Spot (Exhibit 13II)									
		Prime	Late	000's		Prime	Late	Prime	Late
		1,800	800	Prime	Late	0.007	0.006	218	97

Margin Analysis (26)				CP Segment Value		
	CM (26)	avg P	UC	number of customers (??)	55,000	?????
Priority One	55%	23.56	12.96	Usage Rate	0.45	24,750
Standard Air	27%	12.62	3.41	Unit Contribution	8.25	204,188
CP	66%	12.50	8.25			