How Ecommerce Is Transforming FedEx's Logistics and Last-Mile Delivery

A Q&A with executive vice president Brie Carere

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Rimma Kats

The logistics space has changed quite a bit in the nearly two decades that Brie Carere has worked at FedEx, thanks in large part to ecommerce.

Carere, who joined the company in 2001 as a marketing specialist, is now FedEx's executive vice president and chief marketing and communications officer. We recently spoke with her about how ecommerce is moving the logistics space forward, how the company is handling deliveries during the coronavirus pandemic, and the future of autonomous delivery robots.

You've been at FedEx for almost two decades. Can you speak to the evolution of the logistics space over the years?

It's a very different industry than what it was in 2001. There have really been some major drivers of the evolution. The most obvious is ecommerce.

When I think back to the percentage of our business in 2001 that was ecommerce, it was negligible. Now in the US—and especially when we're talking about the personal delivery element of logistics—about 90% of the growth in the parcel market is driven by ecommerce. And it's driving growth in absolute terms as well. There will be about 100 million packages delivered per day by 2026.

Additionally, FedEx evolved from being predominantly a B2B company to also being a B2C. We think about our customers and their customers, as well as our direct relationship with the end recipient who's receiving their packages from us.

How do you think retailers will elevate competition over fast shipping?

As retailers look to compete with Amazon, fast shipping is sort of table stakes. Back in 2001, we talked a lot about reliability. Reliability is now table stakes. And fast shipping is absolutely table stakes. You're going to see more retailers adopt same-day shipping, and I think you're going to also see the big players move to overnight.

There's a lot of discussion in the market about same-day shipping. It's needed for things that you absolutely must have—and the two categories that come up the most often are pharmacy and grocery. Most US consumers don't know what they're going to eat for dinner tonight; same-day matters in those scenarios.

But for most categories, such as general merchandise and apparel, overnight shipping is really the sweet spot where you're going to see retailers move from same-day to overnight. And why does that matter? Because most of us shop at night. We're home from work, the kids are in bed, and same-day is just not plausible when shopping [online] at 8pm. You don't want somebody trying to deliver at midnight or 3am.

The other segment where there will be increased competition, something that still doesn't get enough conversation, is returns. What retailers recognize—good retailers who understand conversion and checkout—is that retail policies and speed of returns really matter. There's a huge portion of consumers who are not going to make their

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next purchase until their money is back on their credit card. Speed of returns matters almost as much as the outbound shipping.

What needs to be done for retailers to get to that frictionless commerce point?

Every marketer knows that it is far more cost-effective to get more out of their existing customer base than to get new customers. The easiest way to do that in an ecommerce world is to increase their checkout conversion. To do that, you have to remove the frictions on the basics, which are speed of transportation and ease of returns.

And one step further, some of the smarter retailers are taking that return to a shopping cart and making that an exchange moment vs. a return. When a customer tries to make a return online, they get the basic questions: "Is it too small?" "Did you just not like it?" If it's the fit, you should immediately have the return process connected to your inventory, and then ask whether the customer would like to be sent another size. That's frictionless commerce.

One thing we see on the logistics side is consumers needing to have control over that last mile. Whether it's to reschedule a package because they're on vacation, or they want to redirect it to a retail location so their child doesn't see it before Christmas. That's another element of creating frictionless commerce: putting that choice in the hands of your consumer.

What is FedEx's strategy following the publicized deterioration of its Amazon partnership, thus making the two competitors?

Our position is really clear—our business is bigger than ecommerce. We provide services for healthcare, and obviously that's been a huge focus through the coronavirus pandemic since January. But we have a very large and diverse business that also serves aerospace and automotive. We have a huge B2B base that will always be part of who we are and the solutions that we bring to market.

Logistics is bigger than ecommerce—and ecommerce is bigger than any one player. Our goal is to provide solutions for the rest of the ecommerce players. We also have really authentic relationships with small businesses. We have clear alignment and goal congruency; we're

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never going to compete with our customers. When they succeed, we succeed. That's our strategy: to be the ecommerce leader that supports retailers of all sizes and categories.

How has fulfillment and last-mile delivery changed in the past few weeks amid the global pandemic?

The No. 1 thing that we have seen is an explosion in ecommerce due to the physical store closures. If we thought ecommerce was growing faster before, we're going to see even greater acceleration. My guess is that—and I don't have the data yet to substantiate this—ecommerce growth is going to be led by pharmacy and grocery. From an economic perspective, there's going to be a lot of pressure on certain categories that aren't essentials.

We're also seeing a lot of retailers use their physical stores as fulfillment locations. Those that had been slow adopters to ship from store, they are innovating very quickly to use their in-store inventory.

And as for FedEx, we have this fantastic innovation we're working on, which is a same-day bot known as Roxo. It could play a very efficient role and offer that peace of mind to not have to go into a store during times like what we're experiencing now.

What exactly does Roxo do?

We unveiled a prototype of the FedEx same-day bot in February 2019. Roxo is a robot that is built on a wheelchair base, which was created by DEKA and its founder, Dean Kamen. It's an autonomous delivery bot that we have been testing across the US for on-demand point-to-point deliveries.

We believe that for anything that can be overnight, route-based deliveries are the most efficient because you get the density. But when consumers need something immediately, we think that Roxo and robotics will be the most efficient way to get it there.

In the future, there could be a fleet of Roxo at a Walgreens, Pizza Hut or Target. Someone who needs a few items for dinner or a mother who's home with a sick child and needs Tylenol could have Roxo deliver right to their door. What's really unique is that it's a hybrid robot and was

designed to go on sidewalks and along the roadside, so it can navigate most suburban neighborhoods.

When do you expect this to be commercialized?

You're going to see commercialization in the next 18 to 36 months. We are doing some customer testing this year. And we've already done all kinds of alpha testing working in Texas, Tennessee and New Hampshire.

Has your 2020 road map changed due to COVID-19?

There's a lot of friction in the returns experience, so we are working with retailers to get a better handle on their inventories, credit processes and how we can make it easier for them to give instant credit.

We're going to do some exploration and innovations to make packaging returns even easier. You will also see us lean into FedEx Freight Direct [a service that provides through-the-door deliveries of larger items]. People are buying things online that they never anticipated they would: furniture, TVs, trampolines. Large packages are growing at an exponential rate, and we're going to continue to iterate in the space.

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