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FedEx is reassuring holiday shippers and retailers it can deliver for peak season even after major cost cuts

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KEY POINTS

- FedEx chief customer officer Brie Carere tells CNBC that the logistics company can meet the demand of peak holiday season despite recent cuts to worker hours, Express delivery flights and facilities.
- FedEx, which recently warned of “global volume softness,” is flexing its existing labor force rather than bringing on holiday seasonal hires at the rate it normally would.

In this article

FDX -2.82 (-1.84%)



FedEx is confident it can meet the demand of peak holiday season despite recent cuts to worker hours, Express delivery flights and facilities in a broad based cost-cutting effort triggered by “global volume softness” the company cited during its [recent earnings](#) in September.

“We expect volumes to be moderate from a year over year perspective. But we are ready for service and we are ready for our customers,” FedEx chief customer officer Brie Carere told CNBC in an exclusive interview. The logistics company released its holiday shipping outlook on Thursday morning.

FedEx also faced a pay dispute with a faction of the 6,000 contractors that operate its residential e-commerce focused ground network. In August, the Memphis-based carrier [sued its largest contractor](#), Spencer Patton, who threatened to shut

down his business and deliver after Black Friday if he was not given more compensation.

Carere says the company “terminated” its agreement with Patton. A spokesperson for Patton tells CNBC they “took away” the routes he operated in 10 states.

“Since then [ground] service has not suffered at all,” Carare said.

“The network is ready for our customers to support the sales they have now, to support the sales that they’re going to have on Black Friday. We’re also ready for the sales that they’re going to have and we believe will continue right through the month of December,” she added.



Dozens of packages are lined up along a Manhattan street as a FedEx truck makes deliveries on December 06, 2021 in New York City.

Spencer Platt | Getty Images

A glut of inventory for retailers has pushed holiday sales earlier

this year with Amazon, Walmart and Target all launching promotions to encourage consumer buying. According to data from logistics research firm Ship Matrix, September e-commerce volume was 3-5% higher year over year. During the month, FedEx had an approximately 93% on time delivery rate compared to 97% for rival [UPS](#). A delivery rate below 95% generally signals network inefficiencies that can lower margin performance, a key metric for transports.

On Wednesday, Ship Matrix lowered its estimate for daily e-commerce volume to 90 million packages a day from 92 million packages a day. But founder and CEO Satish Jindel says U.S. delivery networks still have capacity for 110 million packages per day. Overcapacity and its cost also weighs on margins.

“We are working really hard to flex our networks,” Carere said. “You will notice that we did not have a hiring announcement like we traditionally do, because this is one way where we’re flexing our existing labor force and we are not going to bring on incremental labor (holiday seasonal hires) at the rate we normally would,” Carere added.

A report from [Reuters](#) on October 7 citing a memo sent to ground contractors that projected “downward adjustments” to volume forecasts sent the stock lower. However, Carere says that memo was just further clarification on the guidance of weaker demand previously announced by the company in September.

“This is part of our peak process every single year,” Carere said. “We advise our contractors to the best of our ability, what volumes to expect so that they can protect their business. So yes, we did communicate to them our new forecast. It was in line with the information that [CEO Raj Subramaniam] shared earlier this year.”