

LTL carrier FedEx Freight becomes more global under 'Tricolor' strategy



FedEx Freight's supporting role in FedEx international business reflects a growing integration between domestic and global shipping networks. Photo credit: 5m3Photos / Shutterstock.com.

William B. Cassidy, Senior Editor | Mar 22, 2024, 4:55 PM EDT

A broad redesign of FedEx's global transportation network is already channeling more international freight to FedEx Freight, the largest US trucking company and less-than-truckload (LTL) provider.

"Prior to fiscal '24, we haven't really moved any international freight shipments in our LTL network," Raj Subramaniam, president and CEO of FedEx, told Wall Street analysts Thursday.

But that's already begun to change as FedEx rolls out its so-called Tricolor strategy, a program designed to better allocate freight throughout FedEx's air, ground and freight divisions.

"I'm going to call it a new term, think of it as the 'global' LTL segment," Subramaniam said during an earnings call. "That's what this is about."

FedEx introduced its Tricolor strategy in its last fiscal quarter as part of its drive to integrate express and ground package networks and its LTL network. The strategy is meant to "put the right product in the right network," Subramaniam said.

International priority parcel shipments will go to the "purple" network, premium freight traffic to the "orange" network and lower-yield and deferred shipments to the "white" network. The idea is to improve asset utilization, productivity and profitability.

FedEx Express, FedEx Ground and FedEx Services will consolidate into FedEx Express Corporation in June, with FedEx Freight remaining a standalone company.

Although the structure of FedEx Freight won't change, the freight moving in its trailers will, with more premium air freight moving in a "truck-fly-truck" model between the US and Europe in FedEx's "orange" network, Subramaniam said.

"In this context, it should be noted that we are fully leveraging the existing capacity in our trucking networks in the US and Europe," he said.

LTL makes connections

The resulting "globalization" of FedEx Freight, which is just getting under way, is a departure from past practice for the company. But the strategy fits the growing connection between international and domestic freight seen across the LTL sector.

Increasingly, LTL carriers that traditionally have focused on US industrial shipments are looking to international freight as a new source of revenue. For the most part, that's meant building cross-dock facilities near seaports to transload containerized cargo.

FedEx, however, has a built-in pipeline of international air freight. Using FedEx Freight as a conduit for more of that premium freight is seen as a natural step.

And FedEx Freight could use additional cargo. The company, which had \$9.6 billion in revenue in the fiscal year that ended May 31, 2023, saw revenue drop 3% year over year in the quarter that ended Feb. 29. Revenue dropped 9.9% sequentially from the previous quarter, which covered the September-November pre-holiday season.

Daily shipment volume in the most recent quarter dropped 4.1% from a year ago and 9.9% from the previous quarter. However, the year-over-year comparison does not

include the gains in shipments FedEx Freight received from the collapse of competitor Yellow last July.

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