

OVERNIGHT SUCCESS

Federal Express & Frederick Smith, Its Renegade Creator

VANCE TRIMBLE

1. Fred Smith

Frederick Wallace Smith was born 11 August 1944.

His father and namesake died when Fred W. was only four years old. Fred Senior had, in 53 years, built an incredible business empire worth more than \$17 million. He was the founder of the Greyhound Bus Line, and owned the 170-unit *Toddle House* chain of restaurants. He also owned cotton plantations, beef ranches and a huge luxury yacht. Sailing was one of his passions.

While Fred was growing up, he became good friends with an uncle who was a Major General in the Tennessee National Guard. As an 8-year old, Fred became the unofficial mascot of his uncle's unit - they even equipped him with a .45-caliber pistol.

Fred's sister, describing him as 15-year old, said:

"If you met Fred then, you would have been dazzled by him. This man was charming, articulate and just winning. You would follow him anywhere as a leader. He would start waving his hands around, and conjure up these images, and your checkbook just bounces in your hand, and you are ready to follow him over the next hill, and wherever. He was a terrific salesman, who made fantasies come alive."

When Fred's two elder sisters left home, Fred and his mother moved into a house at 1130 Audubon Drive, Memphis, Tennessee. Just down the same street, a singer named Elvis Presley had just brought his first house.

Fred went to Memphis University School, a college preparatory school. He played football, basketball and baseball in addition to serving as the sports editor of the school paper. Importantly, his school work also excelled and in his senior year, he was elected Class President. To round out the perfect All-American success story, he had a girlfriend who was a cheerleader.

At age 15, Fred fell in love with flying. He went to a National Guard conference in Nashville where he met Colonel Fred Hook, a Memphis Air Force officer.

Colonel Hook had learned to fly as a teenager and from there he had worked as a crop duster, barnstormer, air show acrobat, airline co-pilot and eventually he had become a P-51 fighter pilot flying with General Claire Chennault's Flying Tigers in China.

Colonel Hook soon fell in love with Fred Smith's widowed mother and when he retired from the airforce in 1965, he returned to Memphis, divorced and remarried forty-six-year old Sally Smith, Fred's mother.

2. University

While Fred had always excelled at High School, he found Yale University a different proposition altogether. He failed to make the football team, and threw himself into flying every spare moment. He also joined the Marine Corps Reserve, with the objective of becoming a naval aviator but unfortunately he failed the eyesight standard required. Overall, Fred was so busy on his sidelines that his grades suffered.

In August 1963, while home from Yale, Fred Smith was in a serious road accident. He was driving his new Corvette with a friend, Mike Gadberry. A spectator described the crash:

"The car was flipping end over end. It was bouncing high in the air. It would hit one end and flip completely over and hit the ground again, and then flip again. For the car to act like that, it had to be running seventy-five, eighty, even one hundred miles an hour. The car was upside down several hundred feet on down the highway. At once I could see the boy still in the car was badly hurt. He was lying on his back, struggling to breathe. If he'd had immediate care, he might have made it. But he literally just choked on his own blood."

Fred Smith was taken to hospital and treated for concussion and shock. His friend, Mike, died at the scene of the accident. A close friend of Fred's, Dr. Coor said:

"I still think that experience had a great influence on Fred in his life in terms of what he did. I think he felt very badly, and I think he pushed himself to the limit in everything he did. He probably would say, no, that didn't have anything to do with it, but I always thought it might have."

Back at Yale, Fred threw himself into his activities with doubled vigor. He worked on reinvigorating the Yale Flying Club which had originally been formed by Juan Trippe who later went on to found Pan Am airline. Fred put fliers up on bulletin boards and held meetings for the students to learn more. He also convinced the Piper Aircraft Company to lease the club some planes. Fred acted as the promoter and enjoyed the use of the planes frequently himself. The Yale Flying Club is still in operation today.

As a term paper for a 1965 Economics course, Fred Smith prepared a 15-page document which described the hub-and-spokes concept that would later form the basis for Federal Express. Fred received a "C" for the term paper.

The concept was this: A "hub" would be located in a suitable Middle American location (like Little Rock or Memphis) and the "spokes" radiated out to Boston, Los Angeles, Seattle, Miami and the far corners of the USA.

A package from Boston going to California would first be flown to the Memphis "hub" where it would be sorted and rerouted out on the plane that had just bought in shipments from Los Angeles. In other words, any package sent from anywhere in the country could get to anywhere else overnight.

One of his friends Bob Frame recalls:

"I remember reading his term paper. When he got back, Fred joked about the grade. The idea always seemed to be in the back of his mind. You knew he was going to do something about aviation. He was going to devote his life to some aspect of it. In some of our bull sessions, all of us talking about life and things in general, several times he brought up the concept of Federal Express. I think it was germinating. It was in his mind.

I think Fred had a charisma about him, a sort of self confidence. And he had those entrepreneurial instincts, like getting the flying club going and being president of our fraternity. He had an aura about him that was very impressive to people. And legitimately so. I think his leadership, and his entrepreneurial instincts, and seeing what ought to be done, was right there at Yale. And people recognized that."

3. War and Love

On graduating from Yale in 1967, Fred Smith joined the Marine Corps and was sent as a Second Lieutenant on his first tour to Vietnam. He was 23-years old. Like many of that generation, he learned to face his own mortality as he dodged death among the dangers of the Vietnam war.

Most of his comrades-in-arms remember Fred Smith well as a dedicated and gutsy soldier. Some said he almost exhibited a death wish, seemingly in response to the earlier death of his friend in the road crash.

Regardless of his inner motives, Fred was a very good soldier. He later confided that Vietnam generated mixed emotions for him. On the one hand, he hated placing himself in danger. On the other hand, that very peril also appealed to his sense of adventure.

Fred served in the Third Battalion, Fifth Marine Regiment, First Marine Division. He was serving in an area 200 miles south of the DMZ in an area that by the end of 1967 accounted for marine casualties of 5,479 killed and 25,994 wounded.

As Second Lieutenant, Fred was responsible for a 94-man mortar platoon, which went out into the field on search-and-destroy missions. He had several close calls, including one time when a bullet severed the chin strap of his helmet without giving him as much as a scratch. On another mission, his patrol were fired on and the men immediately in front of him, beside him and behind him were all killed.

By November 1967, he was promoted to First Lieutenant and in early 1968 to Captain. Smith could speak candidly and freely about the horrors of the Vietnamese War - about bullets that sang of death, of trip wires and hidden mines that could tear off Marine buddies' legs and so on. He also received a couple of minor injuries - a small piece of shrapnel in the eye and another in the back.

At the end of his first tour of duty, Fred Smith returned to an America that had just witnessed the assassinations of Martin Luther King and Senator Robert F. Kennedy. President Lyndon Johnson had decided not to seek reelection because of the Vietnam war.

Fred decided to return for a second tour of duty in Vietnam. He told a local newspaper:

"It's not that I'm more patriotic than anyone else, but there are five hundred thousand Americans over there, and there is a job I've been asked to do. I'm not being conceited, but I've had a year's experience and I know I can do it better than any new officer they might send over to replace me."

For his second tour, he was assigned as a junior aide to General Youngdale, Commander of the First Marine Division. Based in Da Nang, Smith became responsible for the General's dining room, bar and recreation room. It was a total contrast to the battle field conditions of his first tour.

When the General was promoted, Fred transferred to a marine observation squadron as an observer and pilot. He flew more than 200 counterintelligence and reconnaissance missions in OV-10 Broncos and A-D-4 Skyhawks.

Smith was discharged from the Marines on 21 July 1969, the same day Apollo 11 landed on the moon and Neil Armstrong walked on the moon. He was 25-years old. The previous month, he had gone over to Hawaii and married his High School sweetheart, Linda Grisham.

Fred Smith was glad to make it out of Vietnam alive. He had a Silver Star, Bronze Star, two Purple Hearts, the Presidential Regiment Citation, the Navy Commendation Medal and the Vietnamese Cross of Gallantry.

4. Little Rock Brainstorms

Fred's stepfather, Colonel Hook, had purchased a 50% stake in an airplane gas and fix-it shop in Little Rock, Arkansas called Arkansas Aviation Sales, Inc. in 1965. By the time Smith returned from Vietnam in 1969, the business was in danger of going under. Fred bought control of the company and decided to try and turn it around.

There was no urgent financial need for Fred to become involved. His father's estate was in a trust which provided regular payouts and dividends. However, Fred had always felt uncomfortable that his mother had not been better cared for by the arrangement, so as soon as he had reached the age of 21, he had legally assigned dividends from the estate to his mother for a ten year period. At about \$100,000 per year, that amounted to a million dollar present to his mother.

Fred was now worried that his mother would spend most of that money trying to shore up Arkansas Aviation Sales, Inc. Therefore, to avoid that, he decided to help clean up the company. He and his new wife moved to Little Rock and Fred bought control of the business and took over.

Fred Smith saw little prospect of profits or adventure in selling aviation gas or offering hangar services, so he decided to branch out into stocking used turbine equipment for business jets. This, in turn, led to a short period in which he started buying and

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