With the given data, what additional data would you ask and additional analysis would you recommend to assess UPSs superior profitability to FEdEX.

The Comparative performance of UPS and Federal Expenses

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Company | Market capitalization, end 2014 ($ billion) | Enterprise value, end 2014 a ($ billion) | Return to shareholders, 2010–2014 b (%) | Operating margin, 2010–2014 c (%) | ROE, 2010– 2014 d (%) | ROCE, 2010– 2014 e (%) | ROA, 2010– 2014 f (%) |
| UPS | 96.0 | 105.8 | 104.3 | 10.1 | 58.6 | 33.3 | 15.3 |
| Federal Expense | 48.5 | 53.2 | 110.7 | 6.5 | 11 | 15.3 | 5.7 |

Yet, for all businesses, the profits earned over the life of the business enterprise value are a sound indicator of a business’s success in creating value. There are four key areas where our analysis of profit performance can guide strategy: first, in appraising a firm’s performance; second, in diagnosing the sources of poor performance; third, in selecting strategies on the basis of their profit prospects; and, finally, setting performance targets. If our goal is to maximize profit over the lifetime of the firm, then to evaluate the performance of a firm we need to look at its stream of profit over the rest of its life.

There would be many key benchmarks that could be set to identifying the preference in competitive environment. For example: one key benchmark is cost of capital. ROCE should be compared with WACC, and ROE compared with the cost of equity capital. Table shows that, during 2010–2014, UPS earned an operating margin, ROE, ROCE, and ROA that were substantially higher than those earned by FedEx. UPS’s greater market capitalization and enterprise value reflects expectations that UPS’s superior profit performance will be sustained into the future.