

White paper



Shipping & Mailing

Domestic Shipping

The carrier landscape is changing.

Understanding your options can yield significant savings.



The rising cost of shipping is impacting your business.

If your business depends on commercial shipping, you're aware of one undeniable fact: carrier rates are going up. You already know that the expanding choice of viable carriers is making it harder to determine which carrier—or mix of carriers—offers the optimal combination of costs and services for your business.

No matter what your sending—or how you're sending it—your business is affected.

While this situation impacts a wide range of organizations, many recognize the issue but are uncertain exactly how the pricing landscape is changing. More importantly, most are unsure what they can do to meet the growing financial and operational challenge.

As there's so much going on in the area of carrier pricing, it's hard to keep track. In the last year alone, we've seen a flurry of price increases in multiple areas and via various

pricing mechanisms, as carriers take different positions by targeting specific types of customers and shipments. If dealing current changes wasn't challenging enough, it's also critical that companies stay on top of future changes and emerging trends if they want to develop a smart, flexible shipping strategy.

For example UPS announced a rate increase December 28 2015 and FedEx January 4th 2016. To further complicate the picture, the "US Postal Service said it would seek to increase its commercial-package shipping prices by an average of 9.5% and by the double digits for its bread-and-butter business of shipping packages weighing less than a pound"—just a year after it "slashed them by as much as 58% on some Priority Mail packages" to improve its competitive position.

Admittedly, it can be hard to keep up. As was illustrated, the cost of shipping is going up and in often confusing ways.

Historical FedEx Express and FedEx ground fuel surcharge rates and determination dates

| Effective date | FedEx express surcharge | FedEx ground surcharge |
|------------------------------------|-------------------------|------------------------|
| October 5, 2015 – November 1, 2015 | 1.00% | 3.50% |

Source: www.fedex.com/us/services/fuelsurcharge.html

FedEx Express and FedEx ground fuel surcharge rates

| Effective date | FedEx express surcharge | FedEx ground surcharge |
|-------------------------------------|-------------------------|------------------------|
| November 2, 2015 – December 6, 2015 | 2.75% | 4.25% |

Source: www.fedex.com/us/services/fuelsurcharge.html

Fuel surcharge

| Current fuel surcharge rate for package services | Ground | Air and international |
|--|--------|-----------------------|
| Through November 1, 2015 | 4.75% | 3.00% |
| Effective November 2, 2015 | 5.25% | 4.50% |

Source: www.ups.com/bridge/fuelsurcharge.html

Here's what you have to do in order to stay ahead:

Organizations can save money and limit negative impacts if they understand how to sort through changing carrier rates and policies to find the best combination of service and price for their needs. The "best choice" can often rely on the priority at the time — is it timing? Price? Convenience? Plus, the rise of USPS® as a viable third option for major commercial shippers has raised the competitive ante on making the right choice.

To help shipping-dependent companies filter the critical information, this paper takes a closer look at the increasingly complicated carrier pricing landscape and gives helpful information about what shippers can do to optimize their spend and streamline their workflow processes.

What's driving the shipping cost challenge?

There are a number of factors affecting the competitive carrier landscape and driving the various increases shippers are seeing, and it's not always easy to determine exactly which changes should be of most concern to you. You may find, for example, that while the average increase is 4.9%, the shipping weights and zones that apply to your common activities may have gone up by significantly more.

That's why it's important to understand the key factors at play, which include:

Steady increases in basic rates

As noted, general rates are increasing regularly based on weight, size, zone and whether the destination is business or residential.

Dimensional weight (DIM) pricing

In 2014, FedEx and UPS implemented DIM pricing for lightweight boxes.

A 2-lb package with dimensions of 10" L x 10" W x 10" H will be billed at 7 lbs. As of 2015 $(10 \times 10 \times 10 = 1000 \div 166$ [the fixed "shipping factor" applied to domestic shipments] = 6.024, rounded up to 7 lbs).

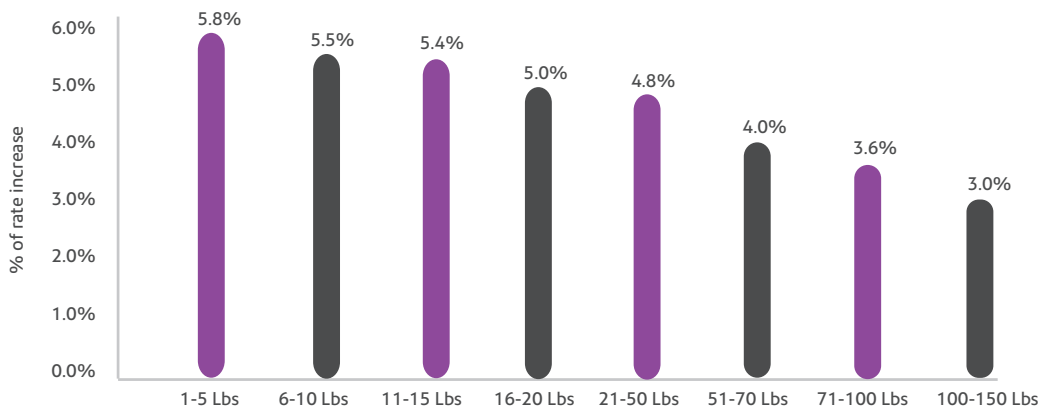
In 2015, FedEx and UPS raised their oversize shipment charges.

FedEx and UPS are once again making big new oversize shipments

| FedEx | UPS |
|---|--|
| Effective November 2, 2015 | Effective November 2, 2015 |
| The Ground Unauthorized Package charge increased from \$57.50 to \$110.00 per package | The Over Maximum Limits Fee has increased from \$52.50 to \$110.00 per package |

Source: www.ups.com/bridge/fuelsurcharge.html

FedEx and UPS ground 2016 average rate increases by weight range



Shipware broke down the average rate increases coming from FedEx and UPS ground in 2016.

Charges for these oversize shipments, for both carriers, increased from the mid-\$50 range to \$110. This amounts to a pricing **increase of 91.3%**.

“Unplanned” cost in surcharges

Shippers often don't consider the real impact of the various surcharges that different carriers apply, such as an extra charge just to get your package to a specific area, even though the actual service provided is the same.

Example: The base rate for a package is \$15.00 and your organization has a negotiated rate of \$7.00. However because the delivery point is a home, a residential surcharge is added (\$3.65) plus another Delivery Area charge (\$3.70) if it's a rural residence zip code. And a fuel surcharge is then applied to the base rate and surcharges. This can put your rate right back where it started.

| 2016 FedEx / UPS surcharge update | | 2016 | 2014-2016 % change |
|-----------------------------------|---|---------------------|--------------------|
| Delivery area surcharge | US express package services and US ground services (residential) | \$3.70 per package | 8.8% |
| | US express package services and US ground services (extended residential) | \$4.00 per package | 9.5% |
| | US express package services and US ground services (commercial, extended commercial) | \$2.45 per package | 8.8% |
| | US ground services (commercial, extended commercial) | \$2.45 per package | 11.1% |
| Residential delivery charge | US express package services and US and international ground services | \$2.45 per package | 8.9% |
| Address correction | US express package services, international express package and freight services, and US and international ground services | \$13 per correction | 8.3% |

Source: www.fedex.com/us/services/fuelsurcharge.html

As of January 26, 2015 the Intelligent Mail® Package Barcode (IMpb) was required on nearly all metered parcels to receive the Commercial Base Pricing (CBP) discount, which which, average about 25% less than regular USPS® retail rates. This requires specific software to print the custom barcode label. In addition, you will likely assessed a penalty if you ship without any type of barcode label.

Benefits of USPS IMpb labeling

- Reduce spend by 25%, on average, over retail pricing (for Commercial Base and Commercial Plus services)
- Avoid upcharges or fees.

- Get end-to-end automated, free tracking for Priority Express®, Priority & First Class® Parcels.
- Enjoy greater package visibility than before — comparable to UPS/FedEx.
- Improve customer service. Now, you can track packages in real-time.
- Increase sorting efficiency.
- Get built-in insurance up to \$50.00 for Retail and Commercial Base pricing and \$100.00 for Commercial Plus customers.
- Leverage simplified carrier route distribution and, in the future, dynamic routing.

Source: www.ups.com/bridge/fuelsurcharge.html

A multicarrier solution gives you additional leverage to negotiate optimal rates and can help you reduce manual workflows. The key is adopting one platform that manages all your transportation-related activities by optimizing, integrating and automating these various shipping choices and processes. It can do this while providing you the highest degree of real-time visibility and control of your operation.

Here's what a multi carrier solution helps you manage:

Pricing and service: For shippers struggling with rising costs, one of the best options is to optimize your spend across FedEx, UPS, USPS and regional carriers. In this era of shifting rates and surcharges, it can be eye-opening to see all your options. The key to this is a "multi-carrier, carrier-neutral" software platform.

This tool can help in a number of ways. First, it can automate carrier selection based on parameters you set. It then illustrates the best rates and service choices available. It's very similar to websites and tools that let you compare hundreds of hotels in a single click.

IMpb labels: Multi-carrier software is also an easy way to implement the USPS IMpb labelling. Whether you're doing it at your desktop or for an entire mail center, it generates IMpb compliant labels that qualify for USPS commercial rates. Plus, when you understand your full range of shipping choices, you'll have added leverage when negotiating rates with carriers.

Workflow reduction: As an added advantage, reducing manual workflows creates a more efficient, streamlined shipping operation. For some organizations (such as law firms), this aspect alone can help to significantly reduce hours of manual work and help allocate shipping costs back to the correct client.

Expand your shipping horizons

Everyone wants to get the best price and reduce carrier costs, but with all the options out there, if you're not actively shopping for those benefits—and employing the tools you need to fully understand and leverage them—you simply won't get the maximum savings available. Doing nothing can cost you; in today's shipping environment, you need to weigh costs across at least three valid carriers with different services, benefits and drawbacks. Plus, if you choose to go with the new savings USPS can help you achieve, you'll need to manage the IMpb label process.

Shippers used to go with the carrier that gave them the best volume discount. This simply isn't the most effective approach anymore. It's important to take a closer look at what they're doing, what you're doing and what both of you will be doing down the road because there are real savings to be had by mixing carriers—including USPS—based on where, how and what you ship.

The different carriers all partner with one another to their mutual benefit. Why shouldn't you cultivate multi-carrier arrangements that maximize each provider's shipping niche to benefit your organization? You should—and to reduce costs, streamline your shipping process and stay competitive, you must.

We're here to help.

Contact us for a complimentary audit of your shipping strategy.



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