

PARCEL TRENDS REVEALED

Part 1: Results of the Annual Best Practices Survey

By Marll Thiede

Along with Morgan Stanley, a global financial services firm and a market leader in securities, investment management and credit services, we at *PARCEL* and sister publication *B2C Express* surveyed our readers on the state of their parcel operations. We analyzed over 250 operations that collectively ship 90 million parcels and receive over 30 million parcels a year. In part one of the survey results, we delve into the transportation side of operations, while Part 2 will take a look at technology, packaging, measurements and management. *PARCEL* has conducted this Best Practices Survey for nine years, and this year, we see shifting trends through the demise of consolidators, rising surcharges as gas prices climb and a host of other developments, all of which can help you see if your operation is on pace with the industry standards revealed in these results.

>> Shippers Rate Carriers Less Favorably — Only FedEx Express increased its scores, improving in four out of six performance questions. DHL, FedEx Ground, UPS and USPS all saw either lower ratings or the same ratings as last year. When asked, “What was the biggest complaint about your primary carrier,” the majority of respondents stated pricing. The next four most common complaints were surcharges, on-time delivery, in-transit damage and difficulty working with the carrier.

>> Projecting Future Rate Increases Causes Concern — Other than the charges from FedEx Ground, shippers expect the next increases to be bigger than this past year, with DHL Ground leading the “charge” with an anticipated 4.1% increase, followed by UPS Air at 3.7%. As Morgan Stanley points out, this is important as DHL has historically set domestic prices five percent to 15% below FedEx and UPS.

>> On-time Delivery Becoming Critical — While delivery pricing is a top concern, our survey respondents are more concerned this year with on-time delivery while negotiating with carriers. There is escalating pressure on shippers to set and meet delivery standards in an ever-increasing competitive marketplace. The demand for on-time delivery is greater for B2B shippers than B2C shippers. Pricing is the number one negotiating motivator for B2C shippers.

>> UPS Volume Discounts Don't Vary Much — For shippers giving UPS 90% or more of their ground volume, the average discount is 26%; while those giving less than 50% receive, on average, a 25% discount. For companies shipping between 50% and 90%, the discount averages 23%.

>> Regional Carriers Are Becoming Viable Competition — Survey respondents reported they give, on average, 1.5% of their next-day volume, 0.02% of their second-day volume and 0.9% of their ground volume to regional carriers. For our survey respondents alone, that represents over two million parcels.

>> B2C Shipments on the Rise — Overall, our readers deliver 65% of their parcels to domestic businesses, 27% to domestic residential/consumer addresses, five percent to international businesses and three percent to international consumers. The jump from 22% (last year) to 27% domestic consumer volume coincides with ever-increasing Internet sales.

Watch for More Results

Don't forget to check out the next issue for more survey results. And thanks to all of our readers who took the time to complete the survey. Your contribution has helped set industry standards and reveal trends which, in turn, can help you improve your operations.

Rate Your Carriers

Scale of 1 to 10 (10 being the best)

	DHL	FedEx Express	FedEx Ground	UPS	U.S. Postal Service
CUSTOMER SERVICE	5.1	7.6	6.4	7.5	5.4
ON-TIME SERVICE PERFORMANCE	5.3	8.2	7.0	8.0	5.7
DELIVERY PERFORMANCE	6.1	8.1	7.3	8.2	6.5
CLAIMS PROCESSING	4.5	6.9	6.3	6.7	4.2
REFUNDS FOR LATE DELIVERY	4.7	6.8	5.9	6.3	3.3
PRICING	5.7	6.9	6.6	6.6	6.0

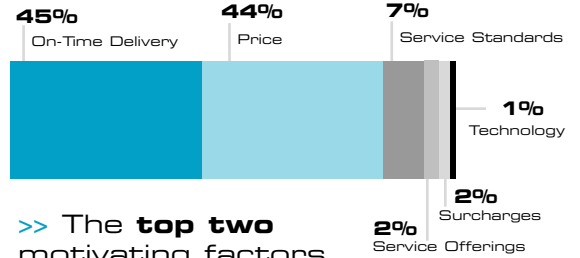
Carrier Negotiations

11%

>> 11 percent of survey respondents use consultants to negotiate rates.



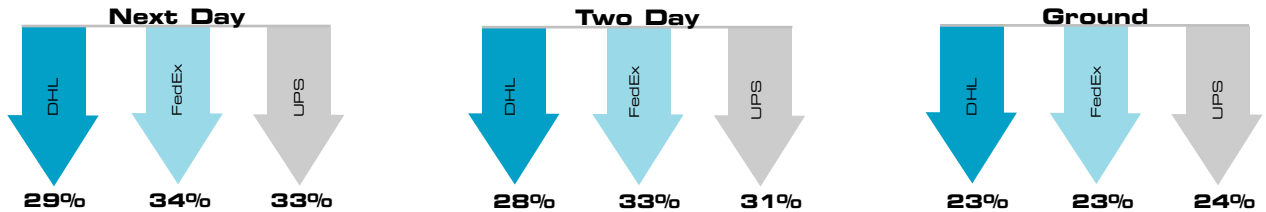
>> Consultants negotiate more favorable rates, driving discounts 49% lower than if the company negotiates.



>> The **top two** motivating factors for shippers when negotiating with carriers are **on-time delivery** and **price**. Technology is least likely to motivate negotiations.

Discounted Transportation Rates

Overall Discounts

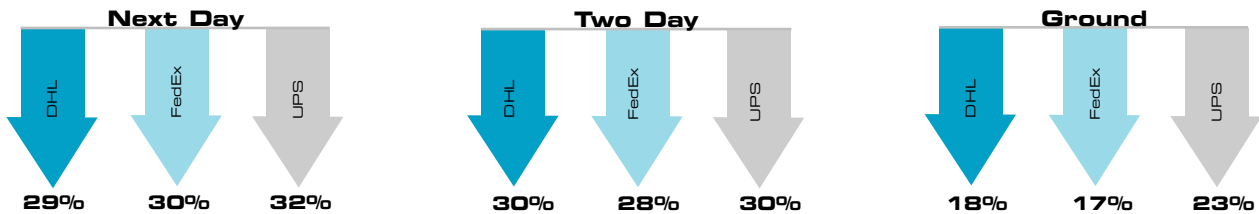


>> Carriers continue to discount expedited shipments more deeply.

>> Discounts off of ground rates are about the same for all carriers.

B2B Discounts

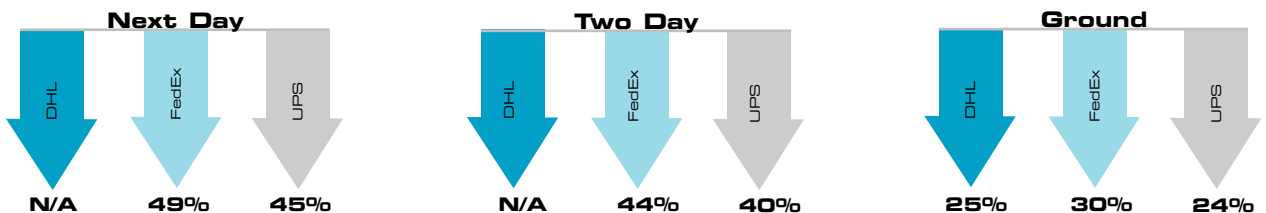
(Businesses Shipping 50% to Business Addresses)



>> Survey respondents indicate UPS is most willing to discount B2B rates.

B2C Discounts

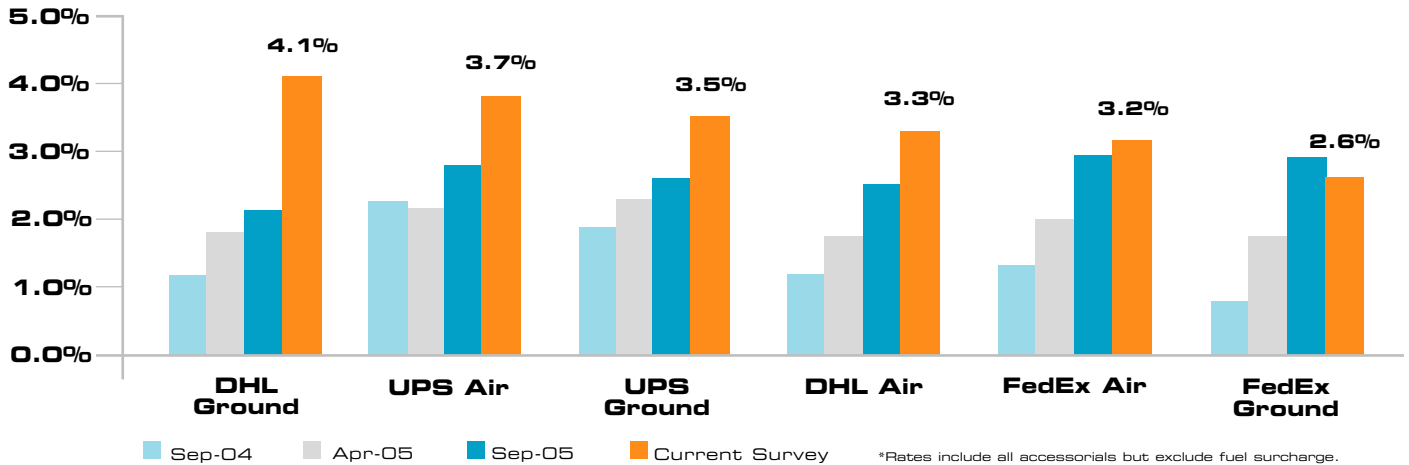
(Businesses Shipping 50% to Residential Addresses)



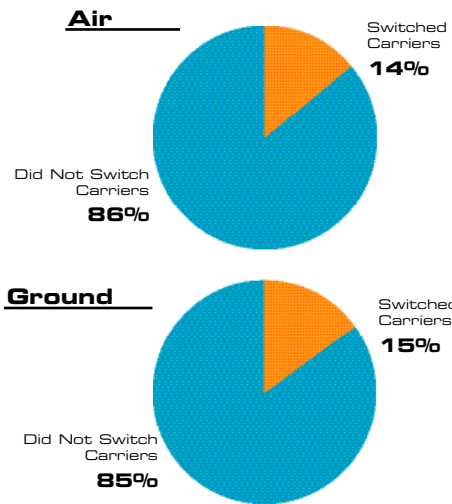
>> Deepest discounts go to businesses that ship most of their volume to consumers. N/A – Data not available

Expected Changes

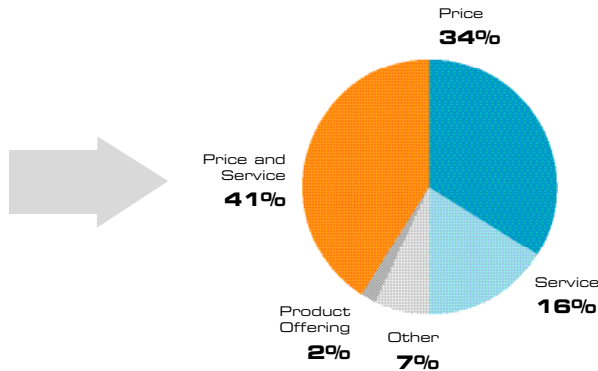
(Charts provided by Morgan Stanley)



>> Shippers anticipate the biggest rate increases in the next 12 months to be in DHL Ground, while FedEx Ground is expected to be the lowest.

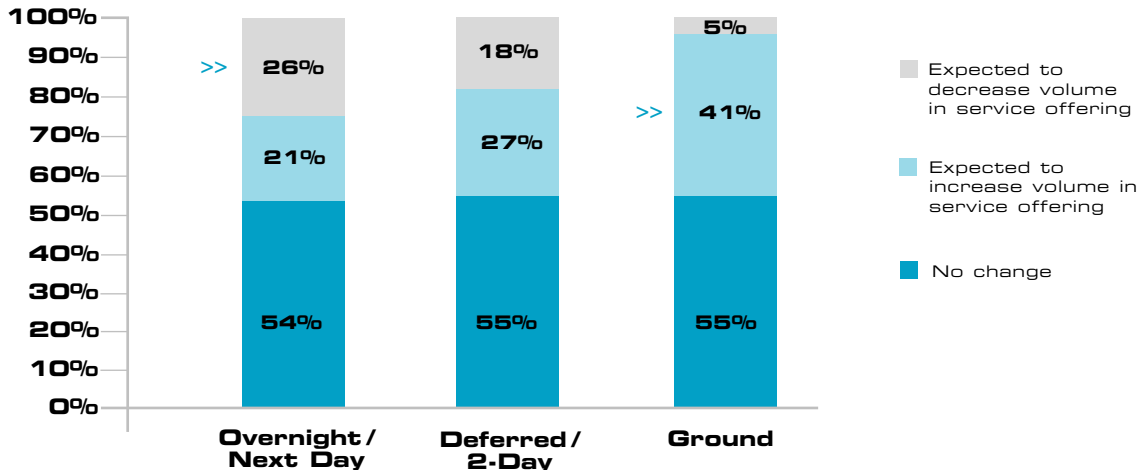


Reasons why shippers changed primary domestic carriers

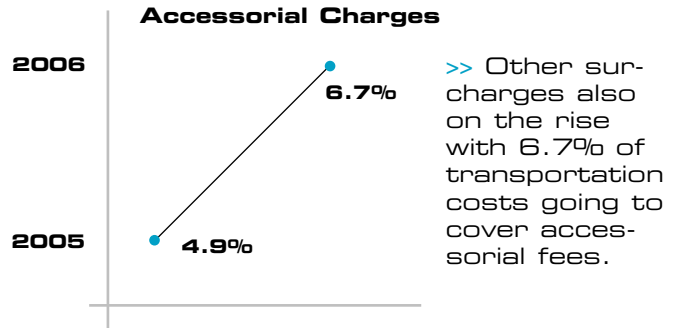
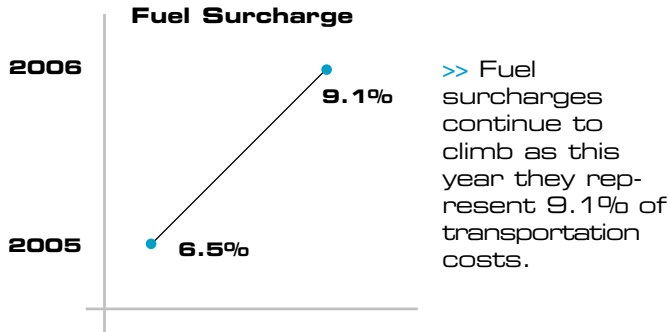


>> Shippers switch primary domestic carriers mostly because of price, then service.

Shippers continue to state they will move more volume to ground



Surcharges

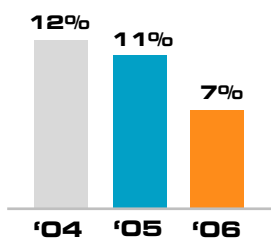


Returns

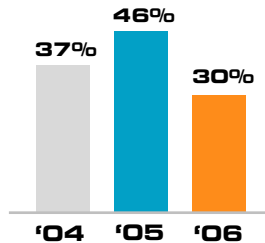
Overall average of who is delivering returns



Consolidate



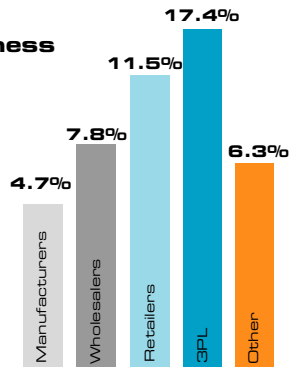
>> Companies using consolidators dropped significantly with the closing of two major consolidators and previous year's buy-ups.



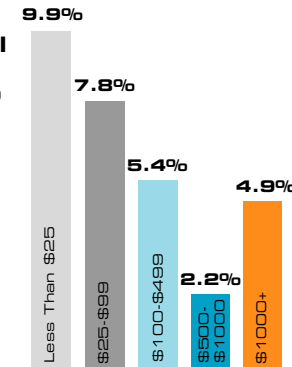
>> For companies that consolidate, 30% of their volume goes to consolidators, which is a large decrease from last year.

Parcel Transportation Cost

By Business Type



By Annual Sales
(in millions)



>> Overall, businesses spend, on average, 8% of total sales/revenue on transportation.