

TRANSPORTATION ABCs

with Dan Malech

Fundamental Differences between UPS and FedEx



Almost everyone in the US recognizes the phrase, "What can Brown do for you?" And if someone wants to send a letter overnight in the US, they often say they will "FedEx it." If you are shipping in the US, you undoubtedly are using one of these carriers, if not both, but are you aware of the many differences between these two that might influence your shipping decision?

Specifically, what about the differences that will directly affect how you choose to handle your business? The biggest difference between the two carriers is the published rates for air services. FedEx is typically priced between six to eight percent higher for one-day and two-day services and over 20% for the three-day service. Why is this important? When comparing proposals from the carriers, the same discount from each will not yield the same cost. In addition, FedEx does not offer a two-day letter service, while UPS does. FedEx will charge you for the one-pound rate.

What's In A Name?

UPS is technically **a trucking company**, while FedEx is **an airline**. Sure, they both have trucks and they both have planes, but how they choose to operate them is what sets them apart. FedEx is the world's largest airline with over **650 aircraft** in its fleet. UPS comes in as the ninth largest with approximately 260 aircraft. On the ground, UPS has nearly **100,000 vehicles** in its delivery fleet, while FedEx has approximately 43,000 vehicles. Why do you care? Since each company runs a different air/ground network strategy, it may impact whether your package flies on an aircraft or stays on the ground. This may have implications for the number of times a package is sorted, and thus damage incidence.

For those shippers that have a need for a two-day 10:30 AM guaranteed delivery, rather than just end of day, UPS offers a 2 Day AM service. FedEx only offers a 2 Day end of day (4:30 PM) service. As for ground, the list rates are identical up to 70 pounds, but after that, UPS tacks on an extra nickel for good measure. So if you are a heavy shipper, beware, as those pennies can add up.

There are key differences just in the names of certain services, most notably on the ground. UPS's Ground Residential service can easily be confused with FedEx Ground Residential, but the comparable service is FedEx Home Delivery. FedEx Home Delivery and UPS Ground Residential both receive the residential surcharge of \$2.05. However, a package sent out FedEx Ground that is destined to a residential address will be hit with a \$2.40 residential surcharge. In addition, UPS Ground Residential goes up to 150 pounds, while FedEx Home Delivery stops at 70 pounds. Greater than 70 pounds, the FedEx Ground rate is charged, typically without your discount. It is important to note that UPS has a closed loop billing system, while FedEx does not. For example, a package that was shipped out via UPS and manifested as a residential package but gets delivered to a commercial location will receive a commercial adjustment credit. FedEx, however, will not refund that surcharge or any additional cost due to lower discounts. An added benefit of FedEx Home Delivery is that Saturday delivery is a standard delivery day at no extra cost, while UPS will charge the \$15 Saturday delivery fee.

Some service names are similar between the two, but it turns out that the services themselves are quite different. FedEx's three-day domestic service is called Express Saver. UPS also has an Express Saver service, but it is a deferred international service. UPS's three-day domestic service is simply called Three Day Select. For US Exports, FedEx's International Priority and deferred International Economy match to UPS's Worldwide Express and Worldwide Expedited services.

The list goes on, but the message is the same. It is really important to know the small differences between each carrier that you are going to use. With fees making up 25-30% of the average parcel invoice, the accessorial differences between carriers could be the deciding factor in overall carrier choice or individual transaction routing. The more you understand, the better prepared you will be to customize the use of each carrier to your specific shipping needs. ■

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