IT'S THE MOST BEAUTIFUL TIME OF THE YEAR

As we approach the most beautiful time of the year, parcel carriers have other thoughts on their mind. Both UPS and FedEx expect to see a continuing surge in the number of packages they are challenged to deliver on-time.

Earlier this year both parcel carriers expected their daily demand to hit new peaks. FedEx expected a 10% year over year increase while UPS forecasted an increase of 14%. To meet this demand, both UPS and FedEx added dozens of satellite sorting facilities and invested in automation in order to process more packages faster. The challenge is driven by the e-commerce retail business wildcard. According to First Data Corp, this year e-commerce accounted for 25% of consumer spending on Black Friday and the two days prior. That is up from 18% last year and nearly doubles the figure for the same period four years ago.

FedEx has been getting tough with some retailers as they suffer under the strains presented by this growth and their quarterly results felt the pressure of spending on new facilities and increased staffing to meet the onslaught of demand. This included FedEx pressing customers for higher prices and the dropping of some retailers who refused to pay up. They are expecting financial performance improvement from those more profitable clients who remain. Fred Smith stated, "You can get a lot of volume that is completely non-compensatory and just not make any money".

In 2015, 95% of the seasonal packages were delivered on time. ShipMatrix Inc. reported that on-time delivery rates for UPS ground, adjusted for weather and other unavoidable delays, were 96.3% last week while FedEx Ground hit 96.9%. On-time delivery rates usually average between 98% and 99% during the rest of the year.

As the holiday shipping season draws to a close there is one telling take away that should not go unnoticed. FedEx is no longer going to look at volume alone in peak season. We believe the historical approach of 'making it up on volume' is no longer a viable process for carrier as demand capacity planning is getting more costly. Look for both parcel carriers to be taking more of a hardline in negotiation and walking away from business that they feel will not provide them with the hurdle rates for margins that they are looking for.

If you want to understand the best approach for going to market with your parcel or any other carriers, contact The Professional Service Team at Data2Logistics: ***B. Foster Thomson, IV,*** *Director of Business Development, at Mobile: 904-238-1856 or via E-mail: foster.thomson@data2logistics.com.*