



## DISRUPTIVE TRANSPORTATION FORCES

We have seen it for years; it's hard to compete with a giant like Amazon when their goal is growth, not the generation of bottom line performance. However, as Amazon continues to spread its free shipping mantra, they are looking to integrate further into the transportation network. First with trucks, then planes and now they recently announced they are moving into the ocean arena.

Their new role is one of a global freight forwarder and 3PL. This new business has been undertaken primarily on behalf of Chinese shippers who are also using Amazon's warehousing capabilities. Since October 2016 they have moved over 150 containers. Their services include sorting, labeling and inland transportation. Their actions taken in the ocean marketplace, position Amazon to further integrate into a full 'for hire' business model. It would not be surprising to see the one-time online bookseller become a force to be reckoned with as a provider of a fully integrated transportation network. JPMorgan recently analyzed Amazon's logistics capacity and assessed them as a competitive threat to incumbent parcel carriers.

JPMorgan also feels that the USPS is actually a greater threat to disrupting the transportation markets. Not unlike Amazon, they do not have a mandate to make money. They are governed by The Postal Regulatory Commission (PRC), which every five years is required to review the cost contribution of USPS's competitive products. Comments for the next review are due no later than March 9 of this year. So what can you expect?

By the time you read this, the USPS is likely to have implemented a price increase for multiple products including Parcel Select services. Not surprising that FedEx and UPS have already adjusted their Smart/Sure Post pricing. It is expected that the rate increase will pass-through

based on contractual terms with each customer. Large shippers working directly with the USPS likely experience similar, lagging price increases. The USPS residential delivery service is certainly an area that will come into focus when it comes to costs. The present service level and prices make it hard to see how they can be sustained. Look for increases in residential delivery not too far down the road.

*Data2Logistics is committed to providing our clients a single database for all modes of transportation on a global basis. USPS data is now available in our Dat2Inform<sup>SM</sup> business analytics tool. To learn more about gaining access to your USPS data contact Rich MacGonigle at +1-239-425-8033 or [rich.macgonigle@data2logistics.com](mailto:rich.macgonigle@data2logistics.com)*