



## THE COST OF MARGIN EROSION

According to analysts at JPMorgan “sentiment is universally negative on UPS, we remain watchful for even early signs of U.S. margin improvement.” Many feel the reason for this can be found in the free shipping sales stimulator used by many companies today. Whether it is a mattress or eye glasses, the free shipping mantra seems to be never ending. Other UPS business segments such as Supply Chain and Freight posted record profitability. However, margin growth seems to be suffering from Business-to-Consumer (B2C) issues. This includes investments and the start-up costs needed to meet volume demands.

Margins actually declined by 7%. Excluding fuel, the carriers B2C volume and yield growth was only up 2%. The announced closure of brick and mortar operations will only cause further business disruption as retailers and carriers see some of their best customers move to Omni-channel supply chains. Facing a tough year over year Q4 comparison in this business segment, the carrier will need to see a significant growth in industrial manufacturing to pick up the anticipated margin slack.

As analysts decrease the stock’s price targets shippers will face a tough road ahead when they sit down to negotiate new contracts. The carrier will be looking for ways to increase margins rather than support adjustments that will favor the shipper.

Be especially prepared with focused matters to be discussed. This includes any increased volumes, tier construction, volumes associated with accessorial charges, DIMS, a position on fuel surcharges, and acceptable GRI levels.

Unless the carrier feels there is a real threat that they will lose the business, shippers will find price concessions hard to come by this year.

Data2Logistics Professional Services Team is here to help! Our experienced staff will provide the detailed information you need to develop an RFP that will best position your company to negotiate price improvements without degradation in services. We will analyze all responses from a three round bid process to generate the desired results.

*To learn more about how we can help you achieve the RFP results you desire contact Rich MacGonigle at +1-239-425-8033 or [rich.macgonigle@data2logistics.com](mailto:rich.macgonigle@data2logistics.com)*