



LAST MILE DISRUPTION

The United States Post Office (USPO) was created on July 26, 1775, by decree of the Second Continental Congress. Benjamin Franklin was the first Postmaster General and served until November 7, 1776. The Postal Service, as we know it today, is an outgrowth of the system Franklin originally put in place.

The Post Office Department was succeeded by the United States Postal Service, a Cabinet department from 1872 to 1971. In August 1971 President Richard Nixon replaced the cabinet-level Post Office Department with the independent United States Postal Service.



The regulatory role of the postal services was then transferred to the Postal Regulatory Commission. In doing so, 'It was decreed that *The Postal Service shall have as its basic function the obligation to provide postal services to bind the Nation together through the personal, educational, literary, and business correspondence of the people. It shall provide prompt, reliable, and efficient services to patrons in all areas and shall render postal services to all communities*'. The mission and their approach to financing this operation are little changed.

Now let us fast forward to April 12, 2018 when the President issued an executive order to establish a task force to study the United States Postal Service. The order required that the task force recommend reforms that would improve operations, finances and pricing. The executive order also required input on the current business model and the decline of mail

volume and pricing. Some may think this action was politically motivated. However, the results of this action, whether intended to or not, may do the shipper community a huge favor.

It was not long after the executive order was issued that Amazon announced a new program designed to encourage entrepreneurs to join ranks with Amazon in the creation of a new delivery alternative. Amazon announced that it is planning to create an Amazon-backed delivery service. In exchange for a \$10,000 investment, Amazon will provide up to 40 vans and allow drivers to wear Amazon-branded uniforms. Entrepreneurs who invest in this venture can earn up to \$300,000 annually according to Amazon.

The goal is to develop a delivery network that can compete with that of FedEx and UPS and yes, the USPS. Amazon's drone delivery caught everyone's attention but has not proved to be a viable alternative. This may be the right solution at the right time. After all, is this not the way that RPS built a successful approach to the market?

Amazon has never been afraid to put their money where their mouth is. They also know how to meet customers' desire for convenience. If successful, Shippers stand to benefit as this new delivery mechanism takes shape. Competition is what is really needed to disrupt the marketplace that allows FedEx and UPS to price in virtual lock step with one another. We believe that Amazon could also get the attention of the USPS.

The USPS needs to be thought of as a business enterprise not as a government entity. The potential loss of Amazon's business would have a severe negative impact on the USPS bottom line and more importantly require continued funding of their losses. Amazon's proposed delivery alternative could also be just what is needed to really get the United States Postal Service thinking like a business. As stated above, their mandate is to provide *efficient services to patrons in all areas and shall render postal services to all communities*'. Is that not what Amazon is trying to do?

The biggest challenge to ecommerce growth continues to be last-mile delivery. Without a doubt, last mile delivery service is here to stay. Determining the optimum mix of service providers is critical to shippers. Data2Logistics Professional Service Team analyzes last mile delivery service performance to insure our clients are meeting the needs of their customers at the most competitive cost. To learn more, please contact Harold B. Friedman at harold.friedman@data2Logistics.com or 609 577 3756. We are here to support you.