

## What the USPS Shipping Services Pricing Changes Mean to Commercial Shippers

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By: Gordon Glazer

Every time the USPS announces rate changes, all the stakeholders come out of the woodwork, with many of them bemoaning the increases and how it will impact their operations. Relax! Take a deep breath. All told, this rate change will have minimal impact to most; favorable impact to some; and not so favorable, but tolerable, changes for others.

The positive outcome is that it motivates shippers to evaluate their processes and take action on the many strategies available to lower their costs on small parcel logistics.

Here are five tips you can use to reduce your parcel expenses:

1. Modal Optimization: Restructuring business rules to route packages by cost of transit and service times.
2. Reduce air space when possible to take advantage of Flat Rate, Regional Flat Rate and Cubic Priority Mail offerings. "If it fits, it ships."
3. Work with a parcel consolidator program that has special NSA pricing that:
  - allows you to participate in Cubic pricing tiers.
  - provides an extra \$50 in free insurance. "CPP" and "NSA" customers receive \$100 per package while "Base" customers get \$50.
  - has no annual commitment – avoids the worry of paying the difference, a very real concern!
  - allows you to ship 14-, 15- and 16-ounce packages at the "Plus" tier for First Class Package Services. Without "Plus" pricing, packages over 13 ounces must go at the more expensive Priority Mail rate.
4. Enable the customer to make a shipping cost decision based upon time of transit, not specific Carrier Service mode. Use a carrier management system to determine the lowest cost based upon dimensions **and** weight/zone that includes your negotiated rates with (FedEx and UPS) ancillary costs considered.
5. Consider working with a third-party organization to help you both modally optimize and negotiate best in class carrier contracts, while right sizing the "Earned Discount (Portfolio) Incentive Tiers" to reflect the modally moved volume to lower cost carriers.

### Pricing Changes Summary

- Modest increase to Priority Mail Express, 3%
- Priority Mail – No increase on the weighted average of weights, zones and options.
- Parcel Return Service +3%
- First Class Package Service +5%
- Parcel Select (only non-contract volume impacted) +9.2%
- New Zone 9 for "Freely Associated States" (Micronesia, Marshall Islands and Palau)

- \$.20 Surcharge for not having an Intelligent Mail Parcel Barcode (IMpb)

### Priority Mail Express (Formerly Express Mail)

- Average Changes: Retail + 3%, Base + 2.9 % and CPP/("Plus") +.6%
- CPP Weight and Zone decreased – 1%
- CPP Flat Rate pricing increased + 15%
- 10:30 am delivery option (add \$5.00)

#### Detail for 10 Lbs and under

2014 Commercial Base Priority Mail Express								
Increase / Decrease %								
Weight Not Over (Pounds)	L, 1 & 2	3	4	5	6	7	8	
0.5	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
1.0	0.0%	3.5%	8.8%	8.5%	9.2%	8.0%	8.4%	
2.0	0.0%	5.7%	5.3%	6.7%	5.2%	5.1%	3.5%	
3.0	0.0%	3.6%	4.2%	5.3%	4.1%	4.8%	4.8%	
4.0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
5.0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
6.0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
7.0	0.0%	4.6%	0.0%	0.0%	0.0%	0.0%	6.4%	
8.0	2.3%	6.4%	-0.4%	0.5%	0.3%	0.2%	9.8%	
9.0	3.6%	9.1%	-0.5%	0.5%	0.5%	0.5%	9.8%	
10.0	4.9%	15.5%	0.2%	1.2%	1.3%	1.6%	10.3%	
Flat Rate Envelope	0%	0%	0%	0%	0%	0%	0%	
Legal Flat Rate Envelope	0%	0%	0%	0%	0%	0%	0%	
Padded Flat Rate Envelope	0%	0%	0%	0%	0%	0%	0%	
Flat Rate Box	13%	13%	13%	13%	13%	13%	13%	
Avg Change Weight & Zone	2.5%							
Average Change Flat Rate	3.1%							

  

2014 CPP Priority Mail Express								
Increase / Decrease %								
Weight Not Over (Pounds)								
0.5	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
1.0	1.0%	-7.9%	-0.1%	-2.0%	0.1%	2.3%	-10.3%	
2.0	1.5%	-6.5%	-2.2%	-3.2%	-6.7%	-9.5%	-10.7%	
3.0	1.6%	-6.0%	-3.7%	-4.2%	-3.3%	-7.1%	-7.3%	
4.0	0.7%	-3.2%	-0.9%	-1.5%	-3.1%	-3.2%	-3.4%	
5.0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
6.0	1.5%	-0.5%	-3.4%	-2.3%	-2.7%	-1.3%	0.0%	
7.0	2.7%	4.2%	-3.6%	-2.5%	-2.4%	-1.4%	4.2%	
8.0	3.7%	6.4%	-3.8%	-2.1%	-2.2%	-1.3%	7.2%	
9.0	4.4%	9.6%	-3.6%	-2.2%	-2.1%	-1.2%	9.5%	
10	5%	16%	-3%	-1%	-1%	0%	10%	
Flat Rate Envelope	16%	16%	16%	16%	16%	16%	16%	
Legal Flat Rate Envelope	16%	16%	16%	16%	16%	16%	16%	
Padded Flat Rate Envelope	16%	16%	16%	16%	16%	16%	16%	
Flat Rate Box	13%	13%	13%	13%	13%	13%	13%	
Avg Change Weight & Zone	-0.8%							
Average Change Flat Rate	14.8%							

### Priority Mail

- Reduced the combination threshold to participate in the CPP (Plus) pricing to 50,000 units per year (was 150K for Cubic and 75K for weight/zone).
- Many of the rates were reduced for Cubic and weight/zone products and only slightly increased for Flat Rate options.
- This should make this popular segment even more competitive, considering the anticipated announced 4.9% Ground increases from the private carriers (UPS, FedEx). In the 1-10 weights, their increases are over 7%!

2014 Priority Mail Commercial Base Weight & Zone							
Increase / Decrease %							
Weight Not Over (Pounds)	L, 1 & 2	3	4	5	6	7	8
1	0%	0%	0%	0%	0%	0%	0%
2	0%	0%	0%	1%	1%	1%	1%
3	0%	0%	0%	1%	1%	1%	1%
4	0%	-1%	-4%	-4%	1%	1%	1%
5	-6%	-14%	-13%	-4%	1%	1%	1%
6	-14%	-21%	-21%	1%	1%	1%	1%
7	-16%	-25%	-13%	1%	1%	1%	1%
8	-19%	-13%	1%	1%	1%	1%	1%
9	-15%	-12%	1%	1%	1%	1%	1%
10	-10%	1%	1%	1%	1%	1%	1%
Average	-2.7%						

2014 Priority Mail Commercial Base Flat Rate Offerings							
Increase / Decrease %							
Flat Rate	L, 1 & 2	3	4	5	6	7	8
Flat Rate Envelope							
12-1/2" x 9-1/2" or smaller	0%	0%	0%	0%	0%	0%	0%
Legal Flat Rate Envelope	0%	0%	0%	0%	0%	0%	0%
Padded Flat Rate Envelope	0%	0%	0%	0%	0%	0%	0%
Small Flat Rate Box	2%	2%	2%	2%	2%	2%	2%
Medium Flat Rate Boxes	0%	0%	0%	0%	0%	0%	0%
Large Flat Rate Box	3%	3%	3%	3%	3%	3%	3%
APO/FPO/DPO Large FRB	4%	4%	4%	4%	4%	4%	4%
Regional Rate Box A	0%	0%	0%	1%	1%	1%	1%
Regional Rate Box B	0%	-1%	-4%	-4%	-2%	1%	1%
Regional Rate Box C	1%	1%	1%	1%	1%	1%	1%
Average	0.9%						

2014 Priority Mail CPP Weight & Zone							
Increase / Decrease %							
Weight Not Over (Pounds)	L, 1 & 2	3	4	5	6	7	8
0.5	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
1.0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2.0	0.0%	0.0%	0.0%	0.3%	0.3%	0.2%	0.4%
3.0	0.0%	0.0%	0.0%	0.2%	0.3%	0.3%	0.4%
4.0	0.0%	0.3%	0.2%	0.3%	0.2%	0.2%	0.4%
5.0	0.3%	-7.6%	-5.3%	0.2%	0.3%	0.3%	0.4%
6.0	-6.0%	-17.9%	-19.1%	0.3%	0.2%	0.3%	0.4%
7.0	-10.6%	-23.9%	-12.9%	0.2%	0.2%	0.2%	0.4%
8.0	-12.3%	-7.3%	0.2%	0.3%	0.3%	0.3%	0.4%
9.0	-7.2%	-5.5%	0.2%	0.3%	0.2%	0.2%	0.4%
10.0	0.2%	0.2%	0.3%	0.2%	0.3%	0.3%	0.4%
Average	-1.6%						

2014 Priority Mail CPP Flat Rate Offerings							
Increase / Decrease %							
Flat Rate / Cubic							
Flat Rate Envs							
12-1/2" x 9-1/2" or smaller	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Legal Flat Rate Envelope	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Padded Flat Rate Envelope	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Small Flat Rate Box	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Medium Flat Rate Boxes	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Large Flat Rate Box	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
APO/FPO/DPO Large FRB	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Regional Rate Box A	0.0%	0.0%	0.0%	0.9%	0.9%	0.9%	0.9%
Regional Rate Box B	0.0%	-1.5%	-4.4%	-4.5%	-2.1%	0.9%	0.9%
Regional Rate Box C	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%
Cubic .1	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cubic .2	-0.4%	-0.8%	-0.8%	-0.5%	-0.5%	-0.5%	-0.5%
Cubic .3	-0.2%	-1.4%	-1.9%	-1.8%	-2.8%	-3.1%	-3.2%
Cubic .4	-0.9%	-1.1%	-1.4%	-1.6%	-1.6%	-1.6%	-1.6%
Cubic .5	-0.3%	-3.6%	-2.6%	-0.3%	-0.4%	-0.4%	-0.3%
Average Change Flat Rate	0.2%						
Average Change Cubic	-1.3%						

## Parcel Select

- Most commonly used by private consolidators like: FedEx SmartPost, UPS SurePost, Newgistics or OSM
- These changes primarily impact residual volume as the major private consolidators are under contracts unaffected by this change. Doesn't mean they didn't raise their prices! For 2014, FedEx SmartPost and UPS SurePost increased 1-9 lbs 7.3%.
- It is notable that there is a significantly higher increase for deeper entry.
- Destination entry for:
  - DDU + 8%,
  - DSCF + 5.6%
  - DNDC + 5.1%
- Non Destination Entry + 5.9%
- May make sense to comparison shop between carriers as this segment is very competitive between carriers and real net pricing is based upon negotiation skills.

## Parcel Select Lightweight

- Most commonly used by private consolidators like FedEx SmartPost <1Lb, UPS SurePost <1Lb, UPS Mail Innovations, Newgistics, OSM to name a few.
- These changes primarily impact residual volume as the major private consolidators are under contracts unaffected by this change. Doesn't mean they didn't raise their prices!

For 2014, FedEx SmartPost and UPS SurePost raised their pricing 7.1%.

- It is notable that there is a significantly higher increase for deeper entry.
- May make sense to comparison shop between carriers as this segment is very competitive between carriers and real net pricing is based upon negotiation skills.

Weight Not Over Ounces	2014 Parcel Select Lightweight - Machinable					
	5-Digit			NDC		Mixed NDC/Single Piece
	DDU	DSCF	DNDC	DNDC	None	None
3.5	10.9%	10.5%	9.9%	6.6%	6.4%	4.4%
4.0	10.9%	10.5%	9.9%	6.6%	6.4%	4.4%
5.0	11.7%	10.2%	8.5%	7.1%	6.2%	4.8%
6.0	11.3%	9.8%	8.1%	8.3%	6.6%	5.2%
7.0	11.0%	9.4%	6.8%	7.9%	5.6%	4.5%
8.0	11.8%	10.1%	7.4%	9.0%	6.7%	5.3%
9.0	11.4%	9.7%	7.1%	9.4%	7.0%	5.7%
10.0	11.1%	10.3%	7.6%	10.3%	6.7%	5.9%
11.0	11.8%	10.7%	7.3%	10.5%	6.5%	6.2%
12.0	11.5%	11.2%	7.7%	10.7%	6.3%	6.9%
13	11%	12%	7%	11%	6%	7%
14	12%	12%	8%	12%	6%	7%
15	12%	12%	8%	12%	6%	8%
16	11%	12%	7%	12%	5%	7%
Averages	11.4%	10.8%	7.9%	9.5%	6.2%	5.9%

### Package Return Services

- Average increase 3%
- It is notable that there is a significantly higher increase for retrieving packages deeper into the package stream.
  - RNDC, RSCF and Full Network + 0%
  - RDU +5.7%
- There are several programs available directly from the USPS, and now you can also leverage Scan, Trigger Pay from a third-party discounted program that can leverage NSA discounted outbound rates for the return trip. Savings up to \$2.00 per package is common.

### First Class Package Services - Parcels

- Remains the best value for under 1 LB
- No change for CPP pricing, primarily used for 14, 15 and 16 ounce parcels
- Base pricing increase on average 4.7% but only 1.5% for the more common weights.

2014 First Class Package Service - Commercial Base Parcels					
Weight Not Over Ounces	5-Digit	3-Digit	ADC	Mixed ADC/Single Piece	
	1.0	13.6%	12.3%	14.3%	14.2%
2.0	13.6%	12.3%	14.3%	14.2%	
3.0	13.6%	12.3%	14.3%	14.2%	
4.0	6.3%	5.8%	7.9%	8.1%	
5.0	0.0%	0.0%	2.2%	2.5%	
6.0	0.0%	0.0%	2.0%	1.8%	
7.0	0.0%	0.0%	1.4%	1.3%	
8.0	0.9%	0.9%	2.1%	1.6%	
9.0	0.9%	0.8%	2.0%	1.1%	
10.0	1.2%	1.2%	2.2%	1.0%	
11.0	1.1%	1.1%	2.1%	1.0%	
12.0	2.2%	2.1%	3.0%	1.9%	
13.0	3.1%	2.9%	3.8%	2.7%	
Average	4.7%				
Average 6 Oz and over	1.5%				

No Change to CPP for FCPS except surcharge for missing IMpb increases to 20 Cents

## International

- GXG Average + 3%
- PMEI (Priority Mail Express) + 1.3%
- PMI (Priority Mail International) + 1%
  - Both PMEI and PMI offering new Flat Rate options
- IPA (International Parcel Airmail) - 2.5%
- ISAL (International Surface Air-Lift) – 2.9%
- IPA and ISAL notables:
  - Direct Country min reduced to 2 Lbs
  - Flats min weight reduced to 17.6 oz
  - Package min weight increased to 4.4 Lbs
  - 14 or 20 rate groups – now include Shape Based Pricing
  - Permanently suspend service to Cuba, Iran, North Korea, Sudan, Syria
- Airmail M-Bags + 2.9%
- FCPI (First Class Package International Service)
  - Retail + .8%
  - No Change for Base (up to 14% lower than Retail) or Plus (up to 20% lower than Retail)

Commercial Shippers who are smart enough to use the USPS should feel good with their decision as their savings will increase this year compared with the alternatives. Savvy transportation directors will continue to explore the many options to reduce their parcel spend while improving the customer experience.

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