

# PARCEL TRENDS REVEALED

## Part 1: Results of the Annual Best Practices Survey

By Marll Thiede

**D**im weight rules forcing a shift from ground to LTL? Hefty rate increases a thing of the past? DHL overcoming its service problems? Along with Morgan Stanley, a global financial services firm and a market leader in securities, investment management and credit services, we at *PARCEL* surveyed our readers on the state of their parcel operations, analyzing over 400 operations before we were done. In Part 1 of the survey results, we delve into the transportation side of operations, while Part 2 will take a look at technology, packaging, measurements and management. *PARCEL* has conducted this Best Practices Survey for 10 years, and this year we see shifting trends because of Dim weight rules, a competitiveness by the carriers to take over B2B deliveries and a host of other developments, all of which can help you see if your operation is on pace with the industry standards revealed in these results. (NOTE: Where indicated, information is provided by Morgan Stanley, which conducts two surveys a year; all other data is from *PARCEL*'s survey, which stays open longer for more results.) And don't forget to check out the next issue for more survey results. Thanks to all of our readers who took the time to complete the survey. Your contribution has helped set industry standards and reveal trends which, in turn, can help you improve your operations.

### The 2007 Trends

Here are highlights from Morgan Stanley's analysis of the transportation part of our survey.

>> DHL may have turned the corner in its service levels as shippers ranked it higher than last year in every category we measured. The Postal Service also improved its customer satisfaction rankings in every category. Yet, FedEx and UPS scored the highest.

>> While carriers downplay the affect of Dim weight pricing, shippers are rethinking their transportation strategies. Some are seeking alternative modes or services and attempting negotiations.

>> Shippers expect rate increases over the next 12 months to average 1% to 2% for most parcel products. Some of this slowdown can be attributed to lower fuel surcharges.

>> Shippers expect the largest rate increases from UPS (roughly, 1.8% on all products), followed by FedEx at 1.4% and 0.7% for ground and air products, respectively. Meanwhile, DHL will have the lowest price hikes, as shippers expect only a 0.4% hike.

>> Shippers expect growth in domestic ground and air parcel volumes to moderate.

>> USPS volume will grow modestly by 1.0%, a marked decline from our previous survey at 4.4% growth. Volume expectations may reflect the USPS postage rate increase that went into effect May 14. However, this volume growth is still similar to the other carriers.

>> The trend from air shipping to ground options reversed in our latest survey, as many shippers indicated they intend to reduce ground volume. One survey, however, does not indicate a trend.

>> Eight percent of air shippers and 9% of ground shippers changed their carriers in the past six months — fewer than in the past.

>> Price was the single most important factor in the decision to switch, but service has become a bigger factor than in years past.

### Rate Your Carriers

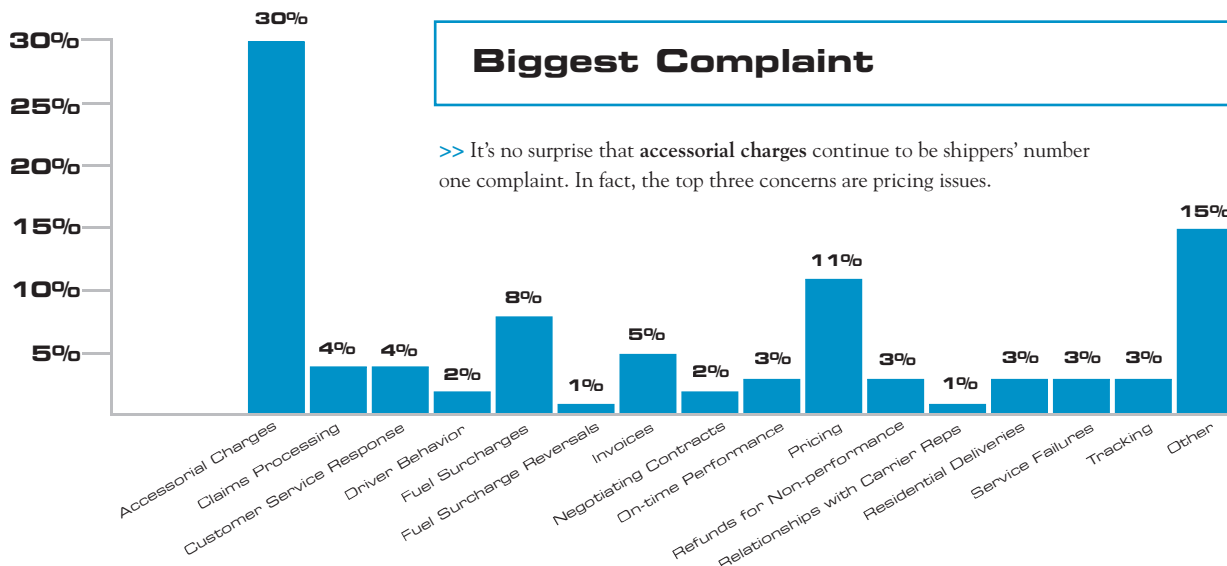
Scale of 1 to 10 (10 being the best)

↑ Improved from '06

↓ Worsened from '06

	DHL	FedEx Express	FedEx Ground	UPS	U.S. Postal Service
<b>CUSTOMER SERVICE</b>	5.6↑	7.2↓	6.8↑	<b>7.3</b> ↓	5.6↑
<b>ON-TIME SERVICE PERFORMANCE</b>	6.4↑	8.0↓	7.3↑	<b>8.1</b> ↑	6.2↑
<b>DELIVERY PERFORMANCE</b>	6.5↑	7.9↓	7.3-	<b>8.0</b> ↓	6.6↑
<b>CLAIMS PROCESSING</b>	5.6↑	<b>6.7</b> ↓	6.3-	6.6↓	4.7↑
<b>REFUNDS FOR LATE DELIVERY</b>	5.6↑	<b>6.6</b> ↓	6.0↑	6.3-	4.1↑
<b>PRICING</b>	<b>6.8</b> ↑	6.4↓	6.4↓	<b>6.8</b> ↑	6.3↑

### Biggest Complaint



>> It's no surprise that **accessorial charges** continue to be shippers' number one complaint. In fact, the top three concerns are pricing issues.

### Accessorial Charges

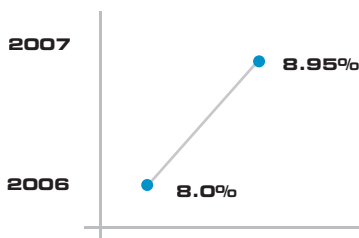


>> Overall, 10.55% of total parcel transportation cost is accessorial fees (including fuel surcharges).

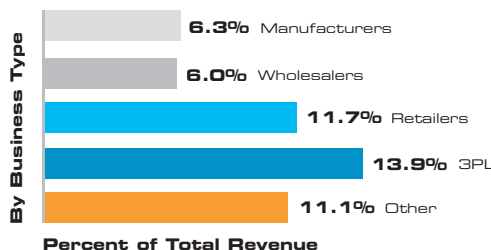


>> Parcels bound to consumers have accessorial fees almost **one percent more** than those going to business addresses.

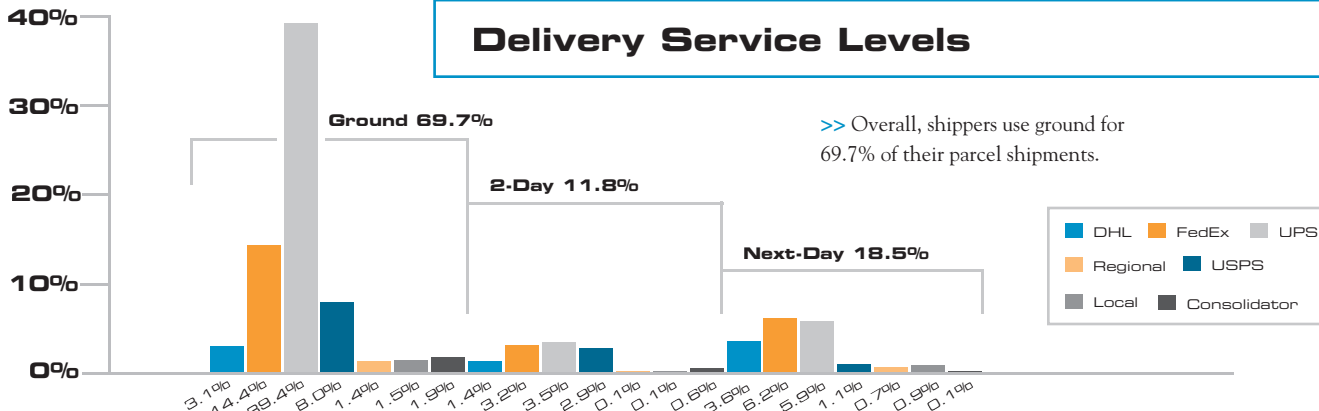
### Parcel Transportation Cost



>> On average, businesses spend 8.95% of total sales/revenue on transportation.



### Delivery Service Levels

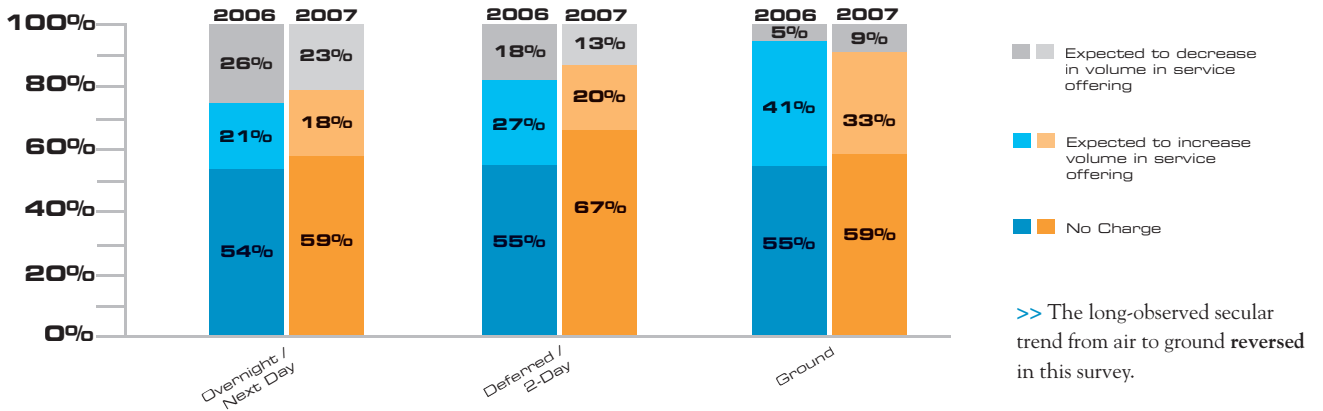
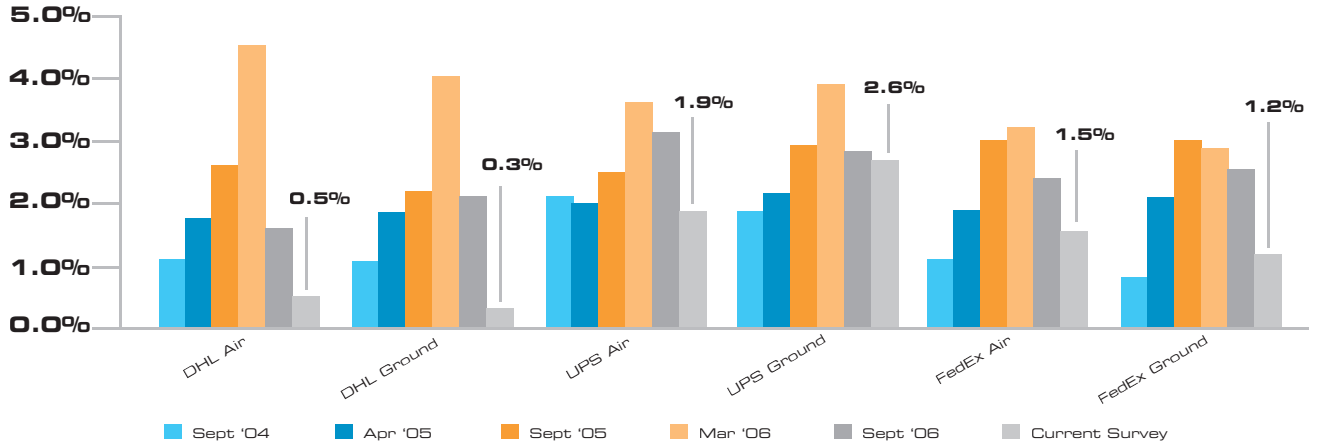


>> Overall, shippers use ground for 69.7% of their parcel shipments.

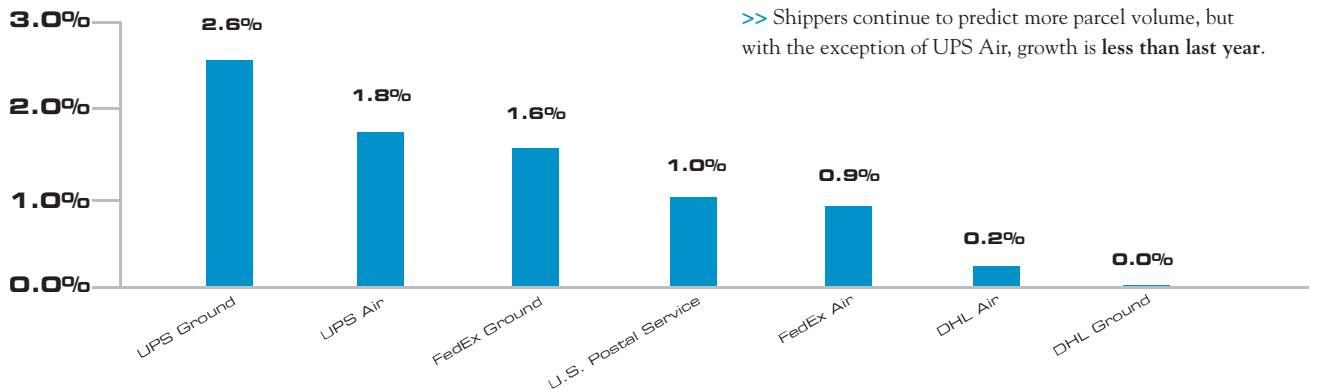
## Expected Changes

(Charts provided by Morgan Stanley)

>> Shippers expect more modest price increases to continue with DHL having little pricing power.



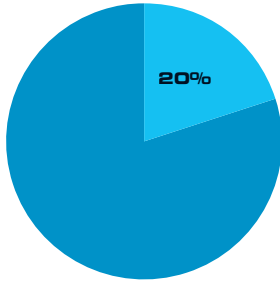
>> The long-observed secular trend from air to ground reversed in this survey.



>> Shippers continue to predict more parcel volume, but with the exception of UPS Air, growth is less than last year.

## Dim Weight Issues

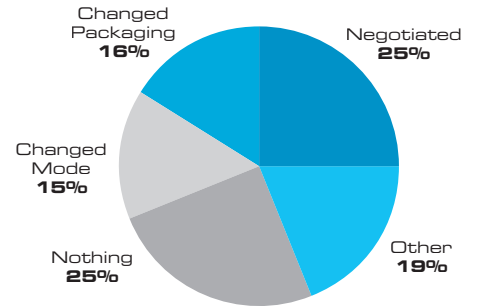
(Data provided by Morgan Stanley)



>> Nearly half of shippers say the new Dim Weight rules will impact 20% of their packages



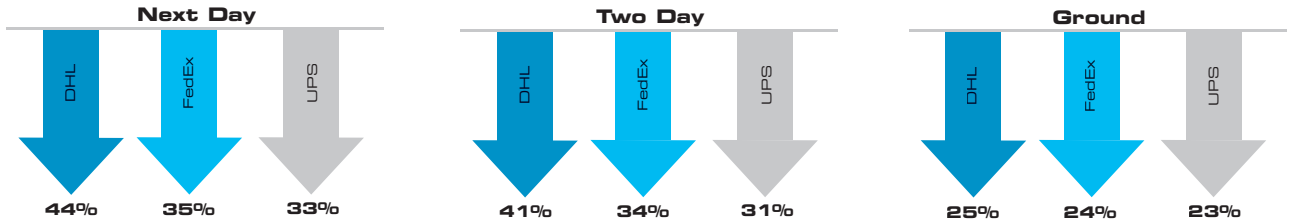
>> Those affected will experience a 10% increase in their parcel spend, with smaller shippers being hit hardest.



>> Shippers have taken different approaches to offset the additional costs.

## Discounted Transportation Rates

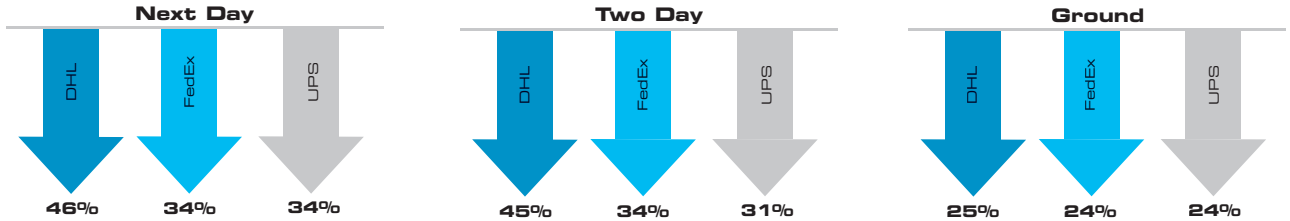
### Overall Discounts



>> DHL got more aggressive in its discounts for next and two-day service. Other discounts varied by less than two percentiles from last year.

### B2B Discounts

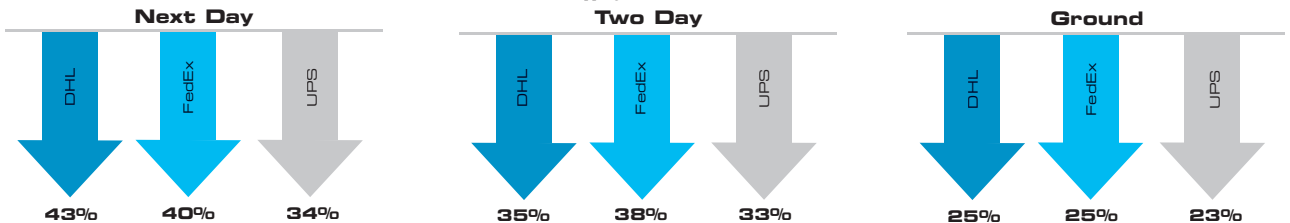
(Businesses Shipping 50% to Business Addresses)



>> Carriers were more willing to give deeper discounts for B2B business this year than last.

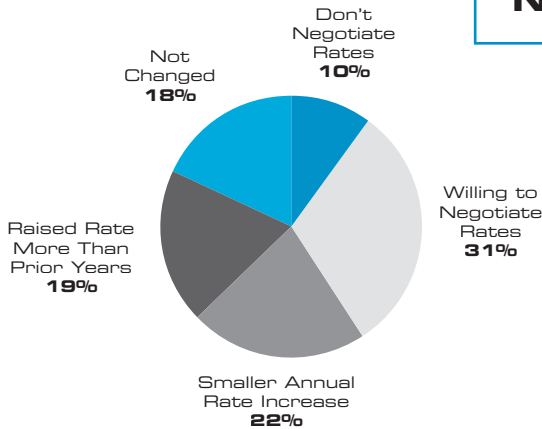
### B2C Discounts

(Businesses Shipping 50% to Residential Addresses)



>> Carriers scaled back on discounts for B2C shipments.

## Negotiating Rates



>> More than 50% of shippers responded that carriers are willing to negotiate. They also state FedEx is the most aggressive in winning business.

(Data by Morgan Stanley)

11%

>> Although companies who use consultants to negotiate rates have deeper discounts, still only 11% of companies use them (the same percent as in 2006).

### MORE RESULTS ON THE PARCEL OPERATIONS IN THE NOVEMBER ISSUE.

- >> Visit [www.PARCELindustry.com](http://www.PARCELindustry.com) to download these survey results.
- >> Meet William Greene, with Morgan Stanley, at the PARCEL Forum ([www.PARCELforum.com](http://www.PARCELforum.com)) and hear his take on the carriers.

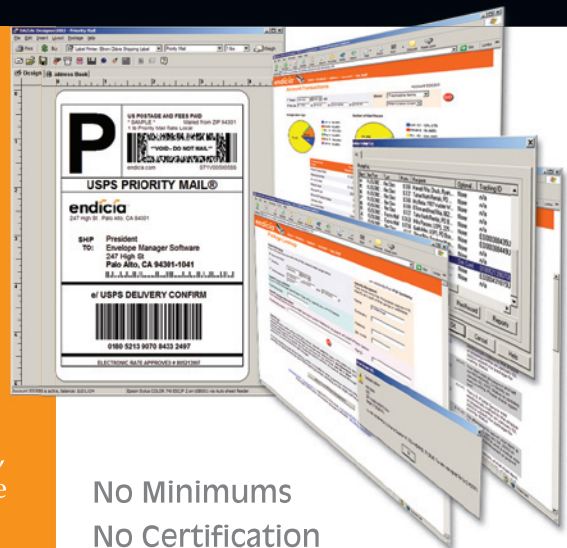
## If You Ship with the US Postal Service, You Need To Try This!

You don't have to manifest to ship with the USPS; there's an easier, far less expensive way - Endicia. Whether you ship 1 or 5,000 packages a day, domestic or international, Endicia is your perfect desktop shipping solution. With Endicia, you print complete labels for all your packages with prepaid postage and Electronic Delivery or Signature Confirmation.

Endicia is packed full of professional shipping features like customizable shipment notification emails, hidden postage, local and remotely accessible postage statements, address verification, batch printing, and customizable label designs. Endicia's XML interface lets you seamlessly integrate with other applications. But don't just take our word for it, try it free for 30 days.



[www.endicia.com/psd](http://www.endicia.com/psd)  
1.800.576.3279 x140



- No Minimums
- No Certification
- No Forms or Audits
- No Waiting for Setup
- No File Uploads

**endicia**<sup>TM</sup>