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# Getting and Keeping Your Parcel Operations on Track in 2022

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Updates and New Strategies for  
Domestic and International Parcel Shipping



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## Updates and New Strategies for Domestic and International Parcel Shipping

As the logistics marketplace settles into a new year, there are many lingering effects from the pandemic and other ongoing supply chain challenges that are having an impact. Some of these market forces negatively affecting companies are out of anyone's control. But some are not, and helping companies

like yours figure out what you can influence (and improve) as it relates to small parcel shipping is the purpose of this ebook.

Understanding the current market conditions for small parcel shippers is the first step, then knowing how to take action is next.

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# 01 Figuring Out the Current Market Conditions

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UPS and FedEx do not make many things easy for customers like you when it comes to rates and costs. Both carriers have recently implemented their largest general rate increases (GRI) in years. And this is on the heels of almost two years of extra pandemic-related fees and surcharges that include new fuel tables and rule changes affecting basic things like how some rates are calculated (not to mention the suspension of some money-back service guarantees.)

Shippers seeking to make sense of all the changes and how they apply to their own parcel operation can benefit from the fact that the differences between UPS and FedEx, thanks to the 2022 GRI announcements, are now smaller than ever in

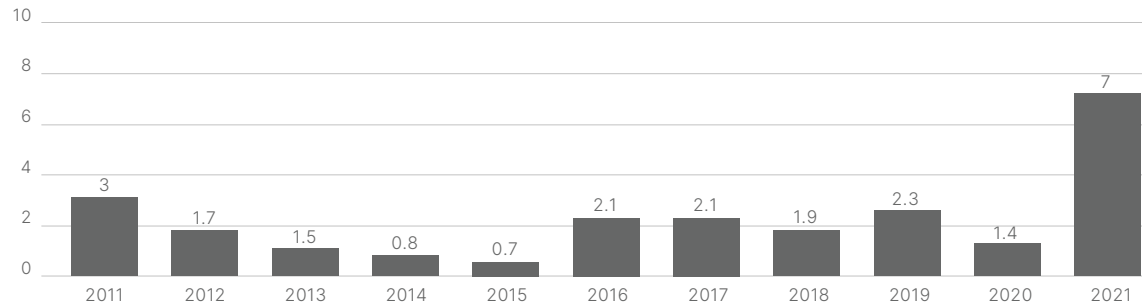
terms of rates, services, and accessorial charges. **Key differences remain between the carriers, of course, and those are what is explained in this report.**

At the same time, comparing the two carriers can be done in a more apples-to-apples way than ever, making it easier to make more objective, data-driven decisions related to your shipping operations —which carrier to use on an individual shipment basis, how to optimize the location of suppliers, ways to avoid fees and surcharges — and gaining the assurance that you're paying for the optimal service level that keeps costs low and customers happiest.

## A Note About Inflation

On a macro-economic level, a top news story for the U.S. is inflation, which took off in 2021. Inflation is likely both a partial cause and result of the higher rates most companies are paying carriers everywhere in their supply chain.

Looking forward, it's reasonable to expect carriers' rates will continue to rise along with inflation if that were to occur in 2022 and beyond.



United States Annual Inflation Rates (2011 to 2021)

This is the power of BI tools that are designed to bring parcel-specific opportunities to the surface in a company's sea of data.



**There are other factors and opportunities present in the marketplace right now that all companies need to be thinking about as you look for ways to improve your parcel shipping operation.**

**Capacity Is Tight:**

Parcel carriers, especially during peak shipping periods, are more selective with the volume of packages they'll pick up from individual companies. And many of the carriers' extra fees penalize companies based on how much their "peak" shipping volumes exceed their volume at other times of the year.

**Ecommerce:**

The rise of ecommerce continues to shape the service levels parcel carriers offer and where they have focused the majority of their GRIs the past several years. Companies shipping large and odd-sized packages, beware.

**Auditing:**

Despite the on-again/off-again approach with money-back service guarantees from both carriers, companies should not get complacent and stop auditing their invoices. The carriers still make frequent errors that you should have refunded (but you have to ask).

**Service Agreement Optimization:**

With the two main parcel carriers' pricing being more similar than ever, the timing has never been better to have them compete for your business. That, plus the slow drip of new fees and surcharges, presents a great opportunity to negotiate new agreements at better rates.

**Network Optimization:**

We'll get into detail on HOW to go about this later in the ebook, but we can say that it has never been easier to take advantage of the opportunity to use your parcel data to improve the overall efficiency of your shipping network.

## The Current State of Rates

The carriers do a lot that creates confusion about rates and their customers' costs. One result is that there are several considerations for companies looking to understand the parcel shipping costs that occur on top of their base rates.

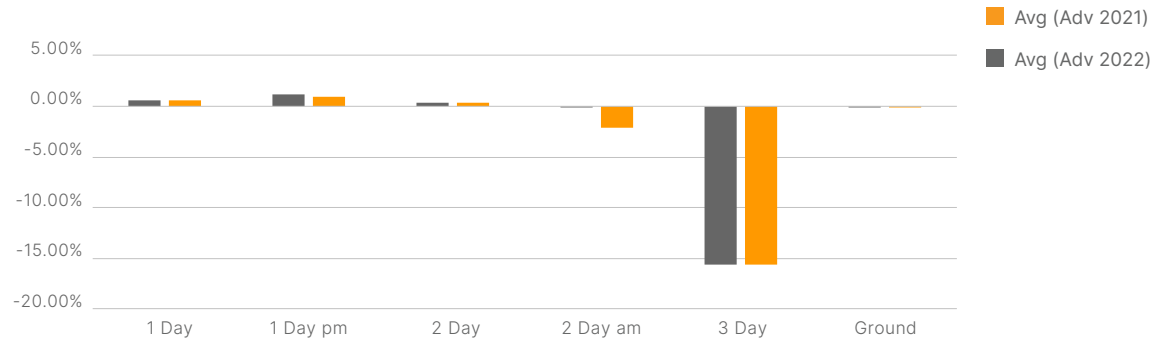
Here are some of the most important additional costs and fees shippers should be aware of right now, starting with the 2022 GRIs that recently went into effect.

Minimum	FedEx	UPS
Day	\$34.14	\$34.50
1 Day PM	\$31.22	\$31.54
2 Day AM	\$23.52	\$23.13
2 Day	\$21.02	\$21.23
3 Day	\$19.57	\$13.57
Ground	\$9.36	\$9.36

The table illustrates how FedEx offers a slight advantage at most service levels excluding 3 Day, and with Ground being equal.

## Overall Rate Comparison: Domestic Services

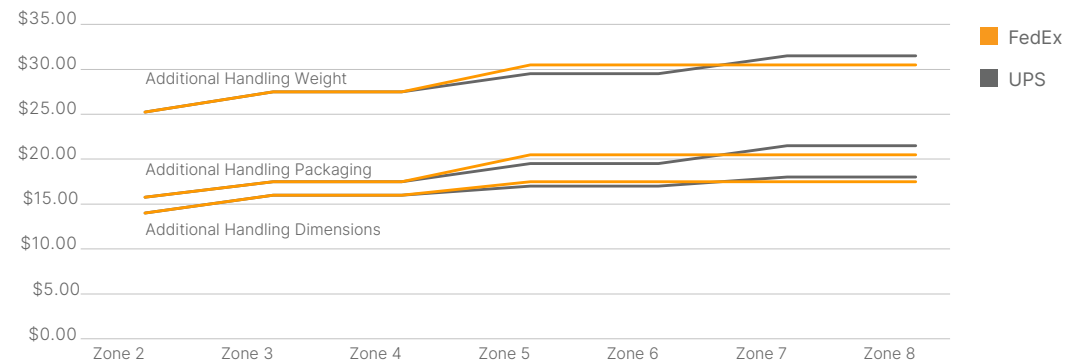
The following illustration shows the percentage difference between FedEx and UPS on Domestic Services (by service 2021 vs. 2022). FedEx has long held a slight price advantage at most service levels with the exception of 3 Day. Changing that trend, however, FedEx saw its advantage shrink to slightly less than 1% in 2021, and it will be even slimmer in 2022.



FedEx Advantage on Domestic Services

## Surcharge Comparisons

The following illustration compares the amount charged for the three types of Additional Handling: Dimensions, Packaging, and Weight. Noteworthy is that both carriers have made changes to how these charges are applied. In mid-2021, UPS began using zone as the determining factor, and FedEx announced it will follow suit in 2022.



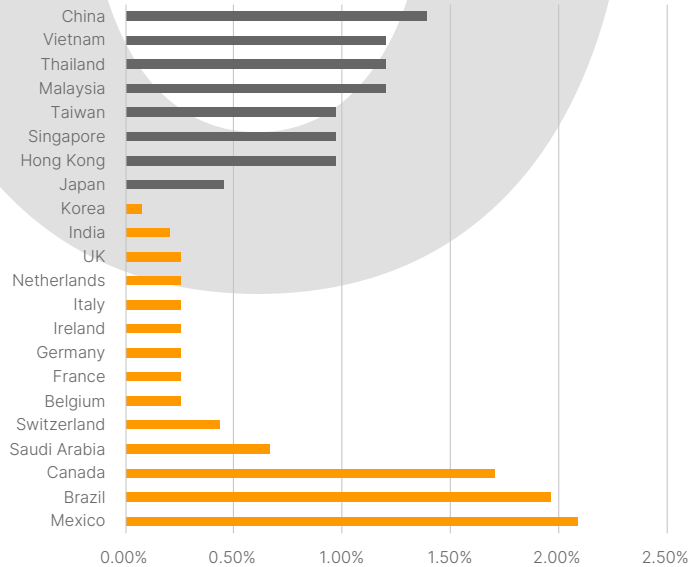
Additional Handling Surcharges



# International

The impact of extra surcharges and fees, as well as the GRIs, has been just as pronounced for International shipments.

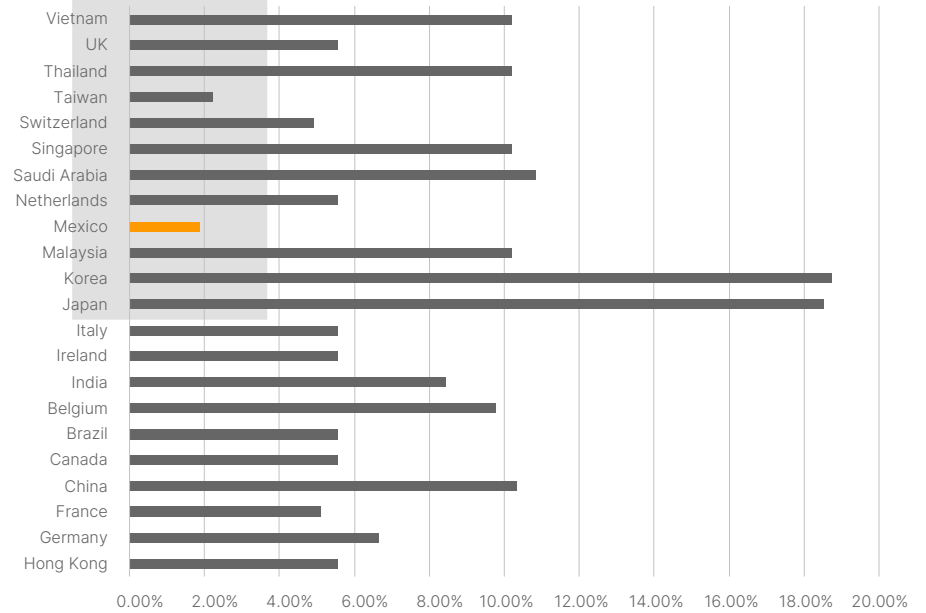
The following illustration details the price advantage for each carrier on International Export shipments in 2022 by country. FedEx has an advantage in a slight majority of lanes, although not by much in percentage terms.



Pricing Advantage (Exports by Country)

The following illustration details the price advantage for each carrier on International Import shipments in 2022 by country. UPS has a large advantage on imports from Japan and S. Korea, which is almost identical to 2021.

■ FDX Advantage  
■ UPS Advantage



Pricing Advantage (Imports by Country)

## Fuel

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In another market-driven variable cost, both carriers updated their fuel tables in November 2021, and the pricing has now diverged, with FedEx being more expensive. Following the cost of fuel is important, especially with the two carriers' surcharge tables being different.

## Carrier Surcharges and Fee Announcements Never End

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Once a month, if not more often, the carriers are adding or making adjustments to their surcharges. The most prominent right now is an open-ended "Peak" surcharge that has nothing to do with peak shipping season. Cost increases like these affect almost all shippers, yet are always announced very quietly and are hidden on the carriers' websites.

For a constantly updated summary of these charges, we suggest visiting TransImpact's NextSights page [www.transimpact.com/nexsights](http://www.transimpact.com/nexsights) and click this button.

### Carrier Announcements

We track and organize UPS® and FedEx® rate change in real-time

[Click here to access](#)

# 02 Using Parcel BI to Fix the Problems

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In part two, we'll cover how to start using data and Business Intelligence (BI) tools to optimize your parcel operations, including the value of auditing your carrier invoices.

BI tools can enable you to reduce your parcel shipping costs and improve the service you provide to customers. Yet a lot of companies still hesitate to implement a BI solution that will facilitate cost reduction and optimization in their parcel shipping operation.

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The reasons for the hesitation vary, but it can be useful to look at this from a time-cost perspective. For each day that you don't have the insight into your data that a parcel-specific BI tool provides, how much is that costing you? Or, from the other angle: what do you have to gain by utilizing technology to make full use of your shipping data?

**Let's start with the second question.**

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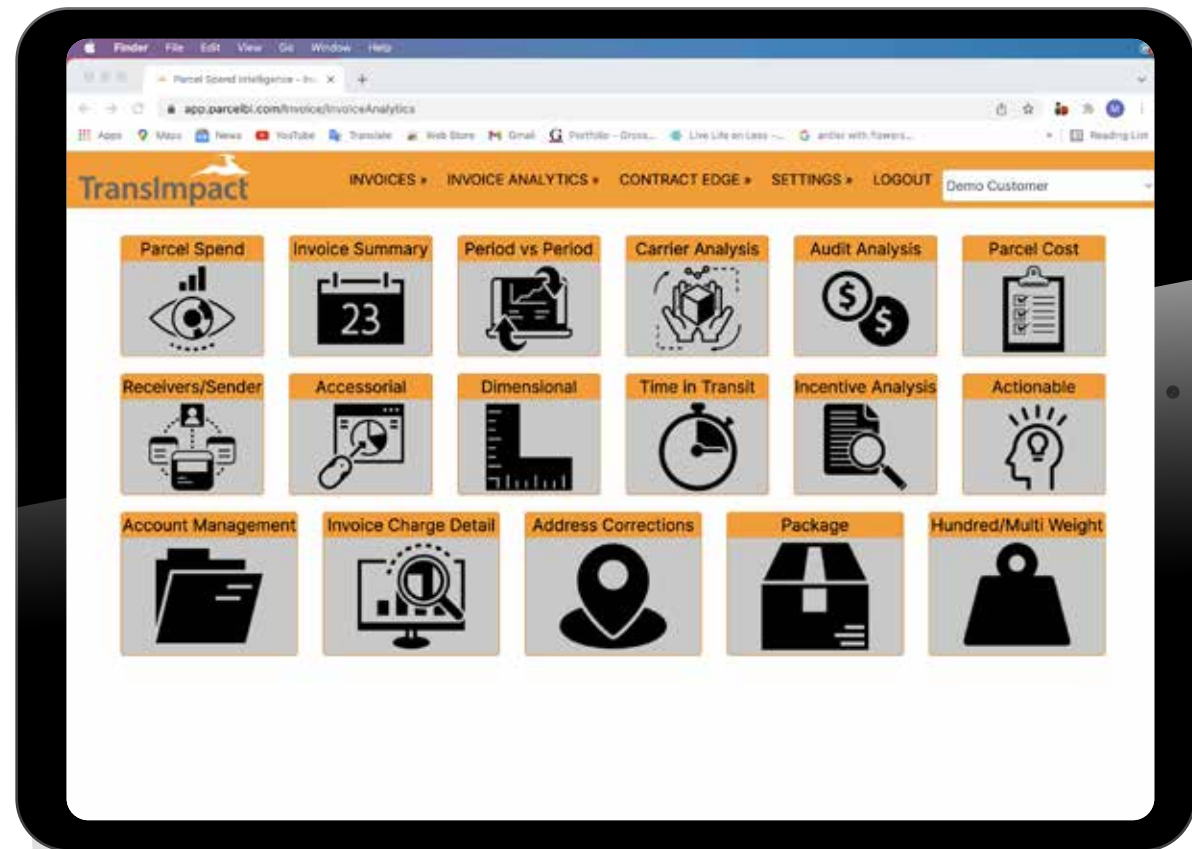
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## A Macro Overview

An interesting thing about small parcel data is that the insight and value can come from both a micro and macro view. For example, the cost impact of some surcharges may only be \$0.25 here or a few percent there. But those small amounts add up when they impact a large number of your packages. The same goes for issues with service performance and other carrier missteps. Consistent late deliveries wear on customer relationships and can hurt your brand image over time.

Often, it's only after accumulating and analyzing your shipping data and looking at it with the big picture view that you are able to appreciate the impact of these extra costs and service issues. For example, address corrections at \$0.20 each can add up to a lot over time. Or you might identify a 12% YoY increase in DIM charges, which is an opportunity to investigate further to see if an adjustment in how you determine package size for each shipment would reduce this cost, and then make the necessary changes at the operational level. Or, if you never have cartons with any dimension longer than 36", you can set an alert if any carton longer than 36" appears on your bill. It could be a carrier measurement issue and you may be eligible for a refund.



This is the power of BI tools that are designed to bring parcel-specific opportunities to the surface in a company's sea of data.

## Granular Precision

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Getting access to package-level detail is the necessary complement to the macro view. The ability to drill down brings to light the specific consignees, suppliers, products, internal processes, and types of surcharges behind the bigger problems. This is where it becomes possible to audit and find opportunities.

Drilling down enables you to find the root cause of the issue. Sometimes it's carrier-caused, in which case you can file for a refund. Other times you might discover that a third party is the culprit, such as third party shippers using premium services

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on your account, and you can address the issue with them. But the biggest opportunities usually come from discovering changes you can make in your internal processes and operations.

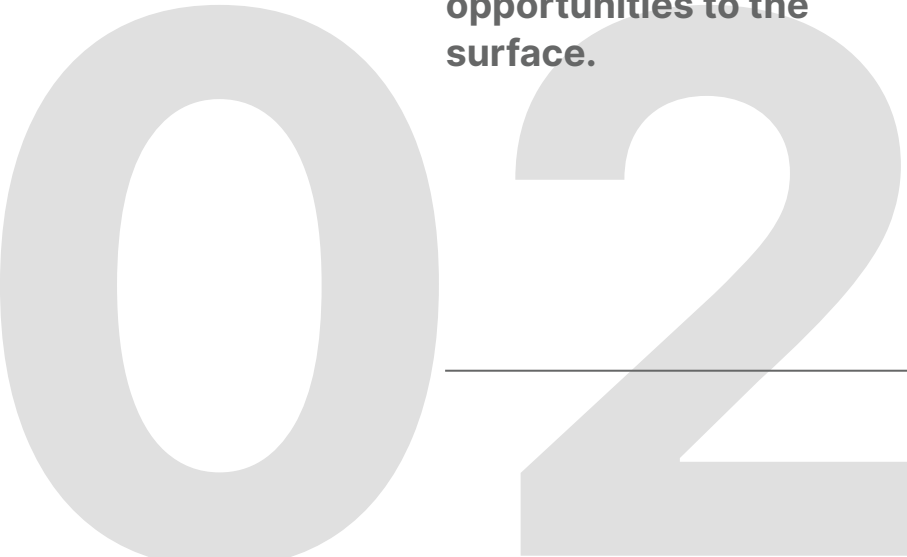
Without this degree of detail, it is impossible to pinpoint where the problems stem from and, therefore, how to fix them. Just knowing that costs are higher, which most shippers can determine already, is meaningless without understanding the cause and doing something about it.

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# Gain Control With Actionable Insights

The carriers are in the data control business, giving the customer only what they need to know and not necessarily explaining everything to them. A parcel-specific BI tool takes all of your shipping data and enables you to see what's actually going on, in real time or near real time, and then drill down to root causes. One single parcel can generate at least ten different pieces of actionable data on a carrier invoice. By loading the data into the BI tool, you gain the flexibility to look at the data in multiple ways at multiple levels of detail, and then take action based on that factual insight.

Here is a small selection of views and benefits parcel shippers can get from their data via a BI tool that is designed to bring parcel-specific opportunities to the surface.

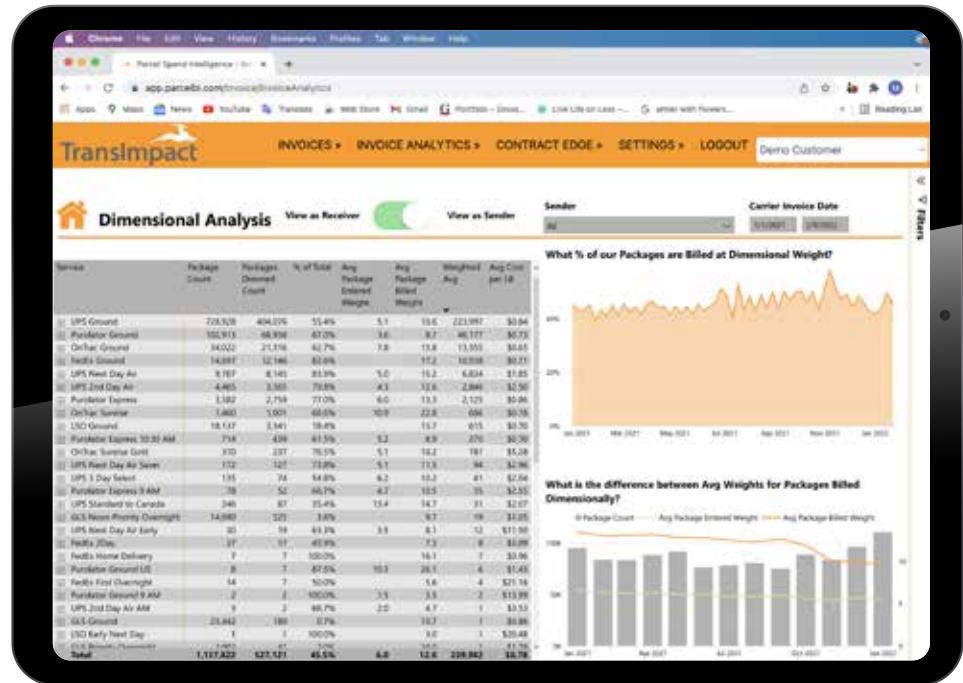


## Dimensional Accuracy:

This is a HUGE blind spot for many shippers and can be costly. Being accurate with dimensions and finding ways to optimize packaging is a great way to avoid triggering dimensional billing and the extra costs this incurs.

## Validation of Incentives:

Use the data to check that the discounts and incentives expected from your service-level agreements are being applied. Logistics managers should be extremely interested in this, because these discounts are proof of a job well done.



Dimensional Accuracy

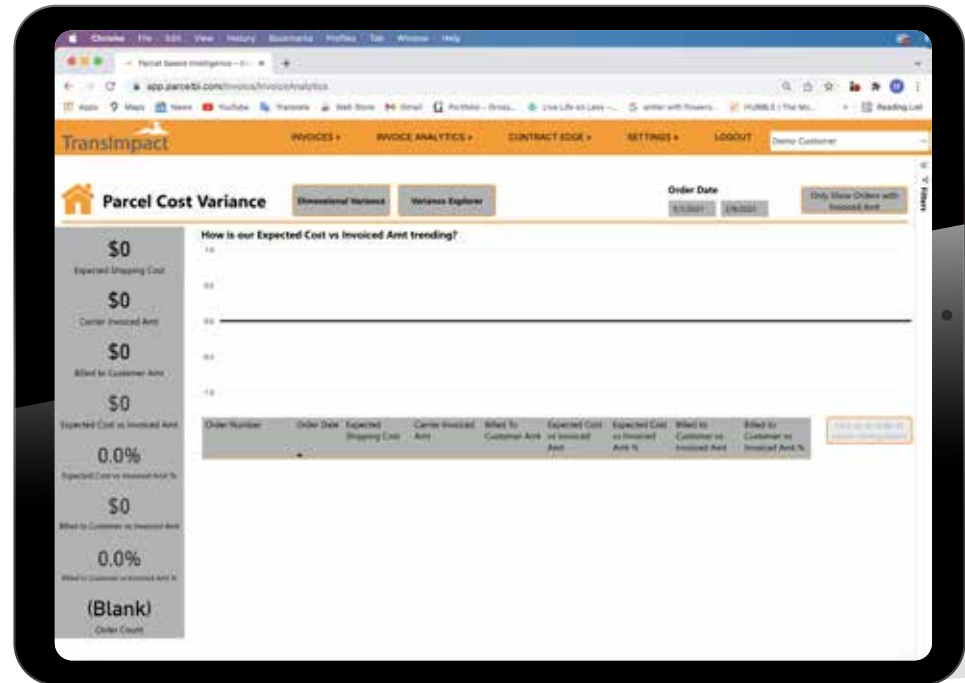


### Account Management:

Data and BI can be used to ensure all your locations are utilizing the service-level agreement are using it, thereby maximizing your discounts and incentives.

### Parcel Cost Variance:

With parcel rates changing so much from one month to the next, the estimated cost of a shipment is often different than the actual billed amount. A BI tool enables you to see those variances and dig into what happened (which is usually an internal process failure) so it can be addressed.



Parcel Cost Variance





### Time in Transit Dashboard:

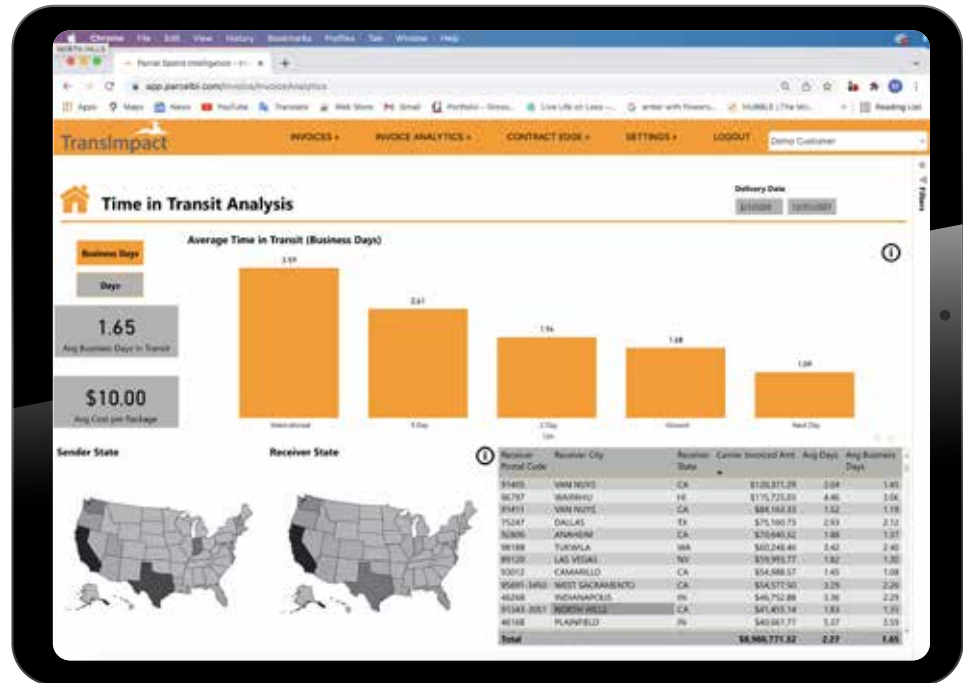
TNT is important in this age of Amazon, and certain carriers are more consistent than others in meeting their guaranteed service between ZIPs. If you use multiple carriers, this dashboard enables you to set business rules to avoid long delivery times to certain ZIPs by using a carrier that is better to that ZIP.

### Package Characteristics:

Are you paying more than you need to? Can you adjust the packaging and save, or else ship via a more suitable service?

### Not Previously Billed:

Find where you're getting billed twice for the same package.



Time in Transit Dashboard



## How to Choose a Parcel BI Tool

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There are a lot of parcel-specific BI software options out there, so how do you choose the one that will serve you best? To begin with, to be really useful to you, a parcel BI tool needs to have a low and short learning curve, must be customizable for users in different departments (e.g., shipping, warehouse, accounting, customer service, and sales), and should be intuitive to use with meaningful dashboards.



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### Here are other important characteristics to look for:

#### **System integration:**

The tool normalizes the data and feeds into your systems, such as an ERP.

#### **Account management:**

If you have tens of accounts, the tool should make it easy to manage them. You also want to be able to easily see who's violating policy (e.g., shipping with declared value) and monitor which users are frequently utilizing high-dollar services.

#### **Visibility control:**

Segment data by account groups and create multiple logins, so each department or stakeholder can access only — and especially — what they need to see.

#### **Period vs. period comparison:**

See at a glance what's changing in your shipping.

#### **Smart filtering:**

Get a side-by-side comparison of carriers by various filters, such as service level and delivery type.

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#### **Smart grouping & sorting:**

Drill down, sort, “smart group,” and filter. Arrange the data logically so that hidden issues jump off the screen.

#### **Hidden detail:**

The tool enables you to see charges hidden in the carrier invoice PDF that are not broken out in the electronic billing, such as message codes like “DIM weight applied.”

#### **Alerts:**

These should be customizable to your KPIs or any other metric contained in the data that serves your needs.

#### **Multi-country options:**

If you ship outside the U.S., look for the ability to pull in data from non-U.S. carriers, for both intra- and intercountry shipping. (Bonus: The tool does automatic currency conversion and lets you set your preferred currency.)

**Now that we've answered question 2 from the introduction to this section, you should have an idea of your individual answer to question 1. For each day that you don't have the insight into your data that a parcel-specific BI tool provides, how much is that costing you?**

# 03 Taking Action

Things can feel daunting as a small parcel shipper right now. Opaque rates and extra costs, as well as constant uncertainties around service, are wearing on companies everywhere.

The key to excelling in challenging times (and it is possible), is to make the complex simple. Even with the huge amounts of shipping data, it's all just numbers. Creating simplicity and clarity has to be your goal.

If the only view of your shipping rates and data is in large spreadsheets and carrier invoices, as it is for most, instead of simplicity and clarity, you'll see chaos. With that as your only view, how long would it take to tell how many of your packages were being hit with Additional Handling, by location, for example? If you have the right parcel BI solution it can take you mere seconds. The shippers who have built the best parcel operation for their business most often use a BI model that's already been proven. That's where TransImpact can help.

The carriers are constantly changing their rates, but with assistance from the experts at TransImpact, it's easy for you to stay informed about what's happening and how it impacts on your company's costs.

Creating such a perspective, and taking appropriate action, require a data/BI-driven approach. This must be the priority for any company looking to position themselves for success in 2022.

Reading the information presented in this ebook is an important first step, but information alone is not useful if it's not translated into action. To guide your action, let the small parcel experts at TransImpact run a no-obligation analysis to model all of the additional costs your company will pay in 2022 as a result of the GRIs and the other new fees. We'll also provide some specific advice on what you can do to mitigate as many of the increases as possible.

Doing so can start with the parcel data you already have. Using the email below, sign up for a demo of our Parcel Spend Intelligence solution to learn about the cost and service improvements lying right under the surface of your data. With a 15-minute call, you can learn about all the actionable insights and data-driven support tools the TransImpact solution provides.

To learn more, contact [info@transimpact.com](mailto:info@transimpact.com)

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