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Home > Non-asset parcel service launched to leverage underutilized USPS capacity

William B. Cassidy, Senior Editor | Nov 09, 2020 3:49PM EST

ShipMatrix's non-asset-based parcel service will leverage the USPS to deliver lightweight packages to mailboxes. Photo credit: Shutterstock.com.

ShipMatrix, long a source of data on the parcel market, is taking a more active role as a non-asset parcel logistics provider, launching a service that will leverage the US Postal Service's network to provide capacity to retailers and e-commerce shippers that can't find space on UPS or FedEx delivery trucks or whose volumes have been capped by their carriers.

"What we're doing with the USPS is like what third-party logistics providers do for the truckload guys," Satish Jindel, president of ShipMatrix and SJ Consulting Group, both based in Pittsburgh, said in an interview. "We're leveraging their network and wrapping it with features they can't provide to customers," including in-transit visibility and customer notifications, he said.

The service will also offer a five-day delivery guarantee, waiving charges if a package is not delivered within that time frame, Jindel said. “People need predictability more than they need speed,” he said. “We’re giving e-commerce shippers the ability to manage customer expectations, and we’re going to monitor service performance.”

ShipMatrix data on millions of packages, he said, shows USPS First Class parcel service on-time performance was 96.6 percent in October, compared with 94.8 percent for FedEx and 97.9 percent for UPS. The company’s service also won’t include peak-season, remote-area, and other surcharges commonly charged by parcel companies, but not the postal service.

ShipMatrix, founded in 2000, optimizes parcel shipping for retailers and other businesses by leveraging the technology of the big parcel carriers — FedEx, UPS, and DHL — and processes more than $5 billion in annual parcel spend for shippers. The new First Class Parcel Service is an extension of its existing role as a third-party intermediary designed to meet an immediate need.

“This holiday season will be unprecedented, and industry capacity is inadequate to meet demand,” Jindel said. “Parcel delivery capacity is short by about 7.2 million parcels per day. The result will be peak surcharges of up to $4 per parcel, and shippers still won’t have all their excess parcels picked up by FedEx and UPS due to capacity constraints.”

Capacity is a concern for shippers from the ocean to the delivery van. ShipMatrix’s new parcel service is one example of how non-asset logistics providers, consulting firms, and technology companies are trying to get more capacity for shippers from existing asset-based fleets, whether it’s capacity on container ships, in less-than-truckload (LTL) trailers, or package vans.

Parcel logistics is likely to be a growing business line for third-party logistics providers (3PLs) and for technology-based firms such as ShipMatrix. “COVID-19 has permanently changed the way retail sales will take place,” Jindel told JOC.com. “UPS and FedEx have the ability to add capacity, but it will be a year or two before they will be able to get ahead of demand.”

The capacity challenge is moving its way across the supply chain,” John Janson, global logistics director for SanMar, said last week on JOC Uncharted. “We’re preparing for the toughest peak season we’ve ever seen. There is limited capacity in the parcel network. When you look for alternatives, it’s like squeezing water from one side of the balloon to the other.”

UPS and FedEx are carefully managing their networks to prevent massive congestion and late deliveries. “Volume management and surcharges will help promote a more optimized volume mix,” UPS CFO Brian Newman said during an Oct. 28 conference call with investment analysts. “We will also leverage our technology to control the volume we bring into the network.”

Leveraging the ‘mailbox monopoly’

Jindel, a transportation consultant who helped engineer the acquisition of RPS, formerly Roadway Package System, by FedEx, has long argued the USPS should make greater use of its “mailbox monopoly.” “The USPS should leave [heavy parcels] to other carriers and focus on the packages that bring the best financial returns,” he said in a December 2018 commentary.

“By focusing on lighter and smaller parcels, USPS will eliminate the higher cost that comes with handling the bulkier and heavier parcels and lower its costs for handling the smaller parcels, keeping its prices lower and attracting more business,” he said. “The net result is that USPS could gain more than 477 million of the smaller parcels that it does not deliver."

Jindel believes the USPS is the one entity best positioned to close the 7.2 million parcel per day gap. "The postal service has more drivers visiting more addresses each day than everyone else combined, 290,000 drivers and a total of 159 million addresses," he said. "They don't have to add more vans or drivers and they can deliver the packages we're targeting without extra work."

The packages ShipMatrix is aiming for are small, lightweight shipments that fit in a mailbox; about 60 percent of parcels shipped match that profile, Jindel said. Also, USPS has a universal service obligation, and has no peak-season surcharge. "I don't technically have to have a legal agreement with them," Jindel said. "They have to pick up the packages proffered to them."

In addition to a universal service obligation, the USPS has a monopoly on mailboxes. UPS, FedEx, DHL and other carriers can deliver to your doorstep, but only the USPS can deliver mail to mailboxes, Jindel points out. And with 60 percent of parcels small enough to fit in a mailbox, there's a lot of small packages shippers could shift to the USPS network, he said.

"I'm not criticizing UPS and FedEx, but they have limits," Jindel said. "That's what's driving this. If the industry had the capacity, this may not have had to take place."

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