

# USPS Seeks More Parcel Business

Service's delivery cost for smaller items lowered in challenge to FedEx, UPS

By ESTHER FUNG

The U.S. Postal Service is ramping up competition with FedEx and United Parcel Service to deliver small parcels in a bid to win over cost-conscious customers.

USPS Ground Advantage is a rebranded service that aims to move packages up to 70 pounds across the country without fees for residential delivery or fuel surcharges. A 10-pound package delivery from Indianapolis to Dallas in three days used to cost \$13.59 with USPS, and it would cost \$12.87 under Ground Advantage, according to the Postal Service.

The cost of shipping packages has grown so quickly that businesses large and small have looked for ways to save money. At FedEx and UPS, general ground rates have risen 4.9% every year from 2015 to 2021, 5.9% in 2022 and 6.9% in 2023.

The Postal Service changes come as package-delivery volumes for the largest carriers have declined in recent months. UPS and FedEx haven't adjusted prices for package deliveries, and have been cutting costs by reducing head count and trimming hours for package handlers.

"We have a role mandate to serve the American public and businesses in it, and we have to be financially self-sufficient," said Jakki Krage Strako, who oversees commerce and business solutions at the USPS.

The Postal Service has been trying to convince customers large and small that it is a viable option to deliver packages



In the past two years, the Postal Service's on-time shipping performance has improved. A delivery fleet in Louisville, Ky.

on time. In late 2020, millions of packages arrived late following an unprecedented jump in parcel volume and a shortage of workers. Some shippers have said they avoided using the Postal Service as their first choice because of the complexity of the various shipping options as well as the uncertainty of items getting delivered on-time.

In the past two years, the Postal Service's on-time shipping performance has improved to be on par with national carriers such as FedEx and UPS. In 2022, 95.1% of USPS packages were delivered on time, compared with FedEx's 92.4% and UPS's 96.9%, according to ShipMatrix, which analyzes package-shipping data.

The service changes, overseen by Postmaster General Louis DeJoy, support the

Postal Service's 10-year plan to overhaul its business amid a long-term decline in mail volumes. Still, mail accounted for 91% of the Postal Service's delivery volume in the March quarter, but only 51% of revenue. Packages made up 6% of volume but 39% of revenue.

The agency has lost money in 15 of the past 16 years, due in large part to prepaying retiree health benefits. Federal legislation last year ended the prepayment requirement.

In recent years, the Postal Service has invested in more package-sorting equipment and moved more mail and packages to trucks from planes to cut costs. It has also expanded sorting facilities in locations where there is more demand from businesses and converted more temporary workers to career employees to ensure adequate staffing levels.

Not all USPS services are getting cheaper. The price of first-class "forever" stamps rose on Sunday to 66 cents from 63 cents previously, to help offset a rise in costs.

Some communities around the country also say that gaps remain in the Postal Service's delivery operations. USPS said it does continue to struggle with hiring in certain locations where the cost of living is high and housing is expensive.

Carriers and companies that consolidate shipments regularly use USPS as their last-mile delivery service to save costs of delivering to a place with less parcel density, since USPS delivers to more than 165 million addresses covering every state, city and town.

Parcel consultants said the USPS Ground Advantage option simplifies steps for shippers, and would help the

agency make money that it previously left on the table.

"What they're left with is a service that's very competitive with UPS or FedEx," said Joshua Taylor, senior director of professional services at Shipware. "They deliver far more packages to far more locations on Saturday than UPS, and more locations on Sunday than FedEx and UPS."

UPS expects that customers would choose it over competitors because of its better on-time performance, and services through an integrated network, said UPS spokesman Glenn Zaccara. UPS added that it also has a low-cost option for value-minded shippers.

FedEx spokeswoman Christina Meek said the company is focused on serving customers "with an outstanding value proposition that includes speed, flexibility and visibility."