

# Rethink ★ Shipping™ ★



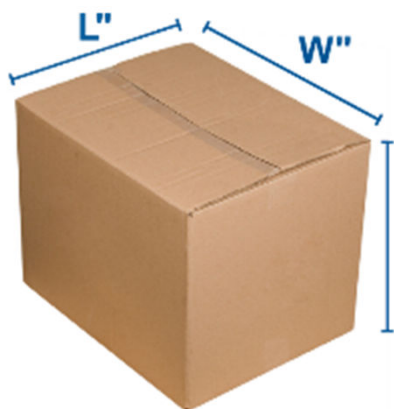
**One Pricing Model Doesn't Fit All.  
Keep Your Options Open with USPS®.**

**National PCC Day – September 9, 2014**  
Peggy Osborne, USPS Business Alliance Manager  
John Sertich, Postmaster – Belleville IL





# What is dimensional (DIM) weight pricing and how is it calculated?



$$\text{DIM weight} = \frac{L'' \times W'' \times H'' \text{ (parcel's cubic volume)}}{\text{volumetric divisor} \text{ (parcel's density)}}$$

Example:

A 1-pound square package with 12-inch sides is currently priced by weight and costs \$6.24<sup>1</sup> to ship domestically the shortest distance with either FedEx Ground<sup>®</sup> or UPS<sup>®</sup> Ground.

FedEx Ground and UPS Ground currently use a volumetric divisor of 166,<sup>2</sup> and will continue to do so in 2015. After the changes, using DIM weight pricing and 2014 published rates, this package would cost \$8.83 for the same distance (41% increase).<sup>1</sup>

1. Based on 2014 rates for FedEx Ground<sup>®</sup>, FedEx Home Delivery<sup>®</sup>, and UPS<sup>®</sup> Ground. FedEx<sup>®</sup> and UPS<sup>®</sup> 2015 prices have not been announced and are subject to change.
2. FedEx Ground and UPS Ground currently apply the 166 volumetric divisor only to domestic packages 3 cubic feet or larger.





# Why the change?

- ★ *According to a FedEx® spokesperson, “Common industry practice that sets the price based on package volume—the amount of space a package occupies in relation to its actual weight.”<sup>1</sup>*
- ★ *According to a UPS® spokesperson, “It enables us to more appropriately align rates with costs which are influenced by both the size and weight of packages.”<sup>2</sup>*



1. According to representatives from FedEx®. [news.van.fedex.com/fedex-announces-pricing-changes](http://news.van.fedex.com/fedex-announces-pricing-changes)  
2. According to representatives from UPS®. [ups.com/pressroom/us/press\\_releases/press\\_release/Press+Releases/Current+Press+Releases/ci.UPS+Announces+Dimensional+Weight+Changes.syndication](http://ups.com/pressroom/us/press_releases/press_release/Press+Releases/Current+Press+Releases/ci.UPS+Announces+Dimensional+Weight+Changes.syndication)





# FedEx Ground<sup>®</sup> vs. USPS<sup>®</sup> Priority Mail<sup>®</sup> and UPS<sup>®</sup> Ground



**6" x 6" x 6"**  
**0.125 cubic ft.**  
**216 cubic in.**



**12" x 12" x 12"**  
**1 cubic ft.**  
**1,728 cubic in.**



**18" x 16" x 12"**  
**2 cubic ft.**  
**3,456 cubic in.**

Zone	Actual weight (lbs.)	Others' billable weight before change (lbs.)	Others' billable weight after change (lbs.)	USPS <sup>®</sup> Priority Mail billable weight (lbs.)
2	1	1	2	1
8	1	1	11	1
5	5	5	21	18*

*\*USPS<sup>®</sup> applies DIM weight pricing in this scenario, but the volumetric divisor is 194 and only applies to Priority Mail<sup>®</sup> larger than 1 cubic foot going to zones 5–9.*





# Options for shippers:

- ★ *Reduce the cubic dimensions of parcels.*
- ★ *Pay the higher charges.*
- ★ *Rethink Shipping™ with USPS®.*



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# Why you should use USPS®

*A spectrum of reliable shipping options and pricing models that can cater to your needs.*

*Outbound and returns options:*

- ★ *Priority Mail Regional Rate®*
- ★ *First-Class Package Service® using Commercial Base® Pricing and Commercial Plus® Pricing*
- ★ *Priority Mail® Cubic Pricing*
- ★ *Priority Mail Commercial Base Pricing and Commercial Plus Pricing<sup>1</sup>*
- ★ *Merchandise Return Service*
- ★ *USPS Returns® Service*

1. Ask your USPS® Sales Consultant for service details and eligibility requirements.



*One pricing model doesn't fit all.  
Keep your options open.*



## With Priority Mail, free services help you save even more

- ★ *PACKAGE PICK UP* **FREE!**
- ★ *PRIORITY MAIL SHIPPING BOXES* **FREE!**
- ★ *PRIORITY MAIL ENVELOPES* **FREE!**
- ★ *\$50 INSURANCE for RETAIL ITEMS* **FREE!**
- ★ *\$100 INSURANCE for COMMERCIAL ITEMS* **FREE!**
- ★ *HOLD FOR CUSTOMER PICK UP* **FREE!**
- ★ *FORWARDING SERVICE* **FREE!**
- ★ *RETURN SERVICE FOR UNDELIVERABLE ITEMS* **FREE!**
- ★ *ADDRESS CORRECTION* **FREE!**
- ★ **NO NEW DIMENSIONAL WEIGHT CHARGES!!!**
- ★ **USPS WEB TOOLS** **FREE!**
- ★ **CLICK-N-SHIP FOR BUSINESS** **FREE!**
- ★ **PC POSTAGE OPTIONS**

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# NEW LOWER PRIORITY MAIL RATES

EFFECTIVE SEPTEMBER 7, 2014

- ★ *PRIORITY MAIL COMMERCIAL BASE RATE DECREASES ARE CONCENTRATED IN THE GROUND ZONES FOR ITEMS WEIGHING BETWEEN 7 – 16 POUNDS*
- ★ *PRIORITY MAIL COMMERCIAL PLUS RATE DECREASES ARE CONCENTRATED IN THE GROUND ZONES FOR ITEMS WEIGHING BETWEEN 3 – 40 POUNDS*
- ★ *COMMERCIAL BASE PRIORITY WILL BE REDUCED ON AVERAGE BY 0.9%*
- ★ *COMMERCIAL PLUS PRIORITY WILL BE REDUCED ON AVERAGE BY 2.3%*

## COMMERCIAL BASE PRICE COMPARISON

Weight Not Over (Lbs)	L, 1 & 2	Zone 3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8	Zone 9
10 lb. old rate	9.41	13.18	15.55	21.70	24.43	27.93	32.95	39.54
10 lb. new rate	8.28	8.49	9.56	15.27	24.43	27.93	32.95	39.54

## COMMERCIAL PLUS PRICE COMPARISON

Weight Not Over (Lbs)	L, 1 & 2	Zone 3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8	Zone 9
5 lb. old rate	6.47	7.28	8.37	12.34	14.33	15.89	18.30	21.96
5 lb. new rate	5.35	5.61	6.80	9.80	14.33	15.89	18.30	21.96





# Rethink USPS Shipping for your Business

## *Priority Mail Offers Simple, Cost Effective Options*

*“Both (FedEx & UPS) companies are preparing to introduce dimensional weight pricing for all parcels in U.S. ground service — UPS on Dec. 29, 2014, and FedEx FDX +1.14% on Jan. 1, 2015. “*

*“The likeliest benefactor is the U.S. Postal Service, whose Priority Mail option will continue to charge a flat rate for domestic shipments of up to 70 pounds.”*

*Robert Bowman – Forbes.com August 19, 2014*

*“Some of the rate reductions are huge...many of the new rates are actually lower than the 1991 Priority Mail rates for many weights and zones“*

*Doug Caldwell, AFMS, Parcel Industry Magazine, July 2, 2014*





# The bottom line

*USPS® offers real advantages:*

- ★ *Numerous affordable and reliable shipping and returns options that may help you reach your business objectives*
- ★ *Savings that could enable you to offer reduced-cost or free shipping to customers*
- ★ *Delivery experiences that could help make your business more competitive and increase repeat purchases*

*Let USPS develop a customized solution for your shipping needs based on your shipping history.*



**For more information**

**[www.usps.com](http://www.usps.com)**

**[www.pcc-stlouis.org](http://www.pcc-stlouis.org)**

**Peggy Osborne - (314)-551-3577**

**[Peggy.E.Osborne@usps.gov](mailto:Peggy.E.Osborne@usps.gov)**

**Thank you!**





# Packages < 3 cubic feet may soon cost more via FedEx Ground<sup>®</sup> and UPS<sup>®</sup> Ground

*Impact to the top 25\* box sizes:*

Dimensions (L x W x H)	Cubic feet	Dimensional weight	Comment
4" x 4" x 4" to 6" x 6" x 4"	0.04 to 0.08	1	Minimum weight, no impact
8" x 6" x 4" to 16" x 16" x 16"	0.11 to 2.37	2 to 25	Subject to 2015 DIM
18" x 18" x 16" to 24" x 24" x 24"	3 to 8	32 to 84	Already subject to DIM

\* Shipware, LLC





# Effects of DIM weight pricing

*Examples of e-commerce rate changes:*



Product	Men's sneakers	Kid's backpack	Toy truck	Toaster
Price by weight <sup>1</sup>	\$8.57	\$7.17	\$7.17	\$7.17
Price by dimension <sup>2</sup>	\$9.11	\$9.11	\$9.47	\$9.66
Percentage change in price	UP 6%	UP 27%	UP 32%	UP 35%

*Note: Percentages rounded. Rates calculated using zone 5 shipping rates.*

1. Based on 2014 rates for FedEx Ground®, FedEx Home Delivery®, and UPS® Ground. FedEx® and UPS 2015 prices have not been announced and are subject to change.
2. FedEx Ground and UPS Ground currently apply the 166 volumetric divisor only to domestic packages 3 cubic feet or larger.

