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USPS Direct Services Versus Postal Consolidation Services

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Not long ago, President of the Association for Postal Commerce Dr. Gene Del Polito was quoted in a *Minyanville* article as saying, “For FedEx and UPS, the costs are lower to deliver in urban areas, and higher in rural ones.” For the United States Postal Service (USPS), the opposite is true.

How can companies determine whether they should be relying more heavily on parcel carriers or on the USPS?

First, companies have to understand the relationship between carriers like FedEx and UPS and the USPS. Non-federal carriers and the USPS compete for business, but they’re also partners.

FedEx and UPS routinely partner with the USPS to create postal consolidation opportunities for their mutual customers. There are different types of postal consolidation, but the most typical type of postal consolidation happens when non-federal carriers pick up packages directly from their customers and then deliver the packages to a USPS hub so that the USPS can conduct the final delivery. Transit times may increase by a day or two, but customers benefit from lower rates. FedEx and UPS also experience benefits. As a result of partnering with the USPS, they can limit their profit margin losses by focusing on urban deliveries. Postal consolidation is widely used by many companies, but especially by Internet retailers and catalogue-centric companies.

A question a lot of supply chain professionals ask at one time or another is whether or not relying on the USPS to manage large (or even small) volumes could keep them from being able to achieve low rates with UPS and FedEx. They want to know what their thresholds are, how much volume has to flow through their national or regional parcel carriers, and how much volume they could give to the USPS, without compromising any discounts.

Companies can choose to work directly with the USPS or to work with USPS through their primary parcel carrier. If they choose the latter option, FedEx or UPS will manage the postal services through an internal consolidation service. A company’s unique shipping characteristics can determine which scenario will provide the company with the most benefits and allow its supply chain executives to do things like pass on savings to their customers or add to their bottom lines.

For most companies, it is going to be most advantageous to depend on non-federal carriers and their postal consolidation services. Relying on a primary non-federal carrier can keep companies from having to develop and implement yet another carrier agreement (with the USPS), integrate and manage different processes, systems and data streams, and deal with separate invoicing and payment processes.

However, there are instances in which companies will find it will more advantageous to deal with the USPS directly. Through shipping history data analysis, a company may find that its non-federal carrier is charging more for services, whether those services are insourced or outsourced to the USPS, than the USPS would charge if the company were dealing with the USPS directly. Some companies may also find that the benefits of dealing with the USPS directly would greatly outweigh the benefits of relying on their non-federal carrier and its postal consolidation services. Shippers that ship mainly to homes and have fairly lenient time commitments are the shippers that most often—but certainly not always—find greater advantages to dealing with the USPS directly.

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To find out things like whether or not working with the USPS directly could keep you from being able to achieve low rates with UPS and FedEx and just how much volume you should give to the USPS or to another carrier, seek out the assistance of a qualified data analytics company that specializes in the supply chain.

It doesn't really matter how big or small your business is right now. It's never too early to obtain an objective analysis of your company's shipping characteristics. It can, however, be too late. A qualified third-party data analytics provider can help you achieve greater visibility of your supply chain and uncover the scenarios that will give you the greatest savings, flexibility, and opportunities to grow right now.

Mikael Trapper, Managing Partner, BridgeNet Solutions, has worked in the logistics industry since she graduated from Fordham University with a degree in Economics and English. Mikael joined the BridgeNet team in 2008, and now manages Xonar, BridgeNet's propriety visibility dashboard. She currently serves on the board of the Midwest Chapter of Women in Logistics and Delivery Services Council. For more information, visit www.bridgenetsolutions.com.