

# CSCMP hottopics

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## 2024 Parcel GRI: What FedEx and UPS Won't Share with Shippers

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The looming 2024 General Rate Increase (GRI) is almost here. Small package shippers around the United States are bracing themselves for one of the biggest price hikes we've seen in years.

When it comes to parcel, it's easy to play defense. Carriers make changes, then shippers make reactionary moves to help offset said changes. A never-ending cycle. But there's a lot more to this reactive pattern that meets the eye.

Shippers, especially in today's parcel market, can play offense.

Continue reading and we'll break down the 2024 GRI and uncover what carriers might not be so eager to disclose to shippers like you.

### CRUNCHING THE NUMBERS

The 2024 GRI has been set at a modest 5.9%. What often goes unnoticed is this figure only covers transportation costs, to which surcharge hikes and other fees are not included.

### THE SHIPPER'S CONUNDRUM

Calculating the true impact of the GRI is a daunting task. How can we stay ahead of the curve when the carriers keep us in the dark?

Shippers must arm themselves with data and insights on their shipping profile. It's these two things parcel carriers don't want you to have. They have cleverly, by design, created pricing and data just complicated enough, that most don't bother getting to know it.

The idea is to get in the weeds, and dive deep into the complexity of shipping expenses. In this landscape, staying ahead of the game requires vigilance, meticulous planning, and a commitment to unraveling the intricacies of shipping costs, one piece at a time. Get access to data, be strategic and think outside the box. Don't just accept what is happening, question it.

### THE CARRIER DUOPOLY (PLUS A NEW POTENTIAL NEW PLAYER)

One thing that's compounding the issue is the carrier duopoly. FedEx and UPS have, over the years, trained us to expect an annual rate hike dance at the start of each calendar year. With limited alternatives in this duopoly-dominated landscape, we're all caught up paying a premium, like clockwork.

While the carrier duopoly has long held sway in the world of shipping, there's a potential new player on the block that could disrupt the status quo: Amazon. With Amazon's growing interest in the B2B shipping space, the landscape is evolving.

Shippers are starting to consider Amazon as a viable alternative to the established carriers. The prospect of a third major player in the market offers a glimmer of hope for increased competition, which could translate into better rates, improved service levels, and more flexible shipping terms.

However, it's essential to note that while Amazon's entry into the B2B shipping space brings promise, it also raises questions about how this evolving landscape will impact shippers in the long run. Will Amazon's disruptive potential be realized, or will it face challenges in competing with the duopoly's entrenched infrastructure and market share?



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As shippers, we must stay vigilant, keep an eye on the evolving landscape, and be prepared to adapt our strategies accordingly. The carrier duopoly may be facing a new contender, and this could usher in a new era of competitiveness, innovation, and choice in the shipping industry. It's a development worth watching closely, as it has the potential to reshape the way we approach shipping and logistics in the years to come.

## 2023 VS. 2024 FACEOFF

Contrary to the doomsday predictions of a double-digit increase in 2024, market dynamics, including overcapacity and the entry of new players like USPS Ground Advantage and Amazon, led both FedEx and UPS to settle for the 5.9% hike. Although the 5.9% is a small "win" from the 6.9% increase in 2023, this is still a challenge we can't ignore.

## ZONES, SURCHARGES, AND THE REAL DEAL

Shippers with longer hauls (Zones 5 and beyond) and those dealing with Additional Handling or Large Package surcharges will get hit the hardest.

- **Ground Minimum:** The new Ground minimum, setting the price floor for shipping, is taking a 5.9% leap to \$10.70.
- **Surcharges:** The weighted average surcharge increase is 12.3%. If you've got a profile heavy on surcharges, you're in for a rate hike beyond that published 5.9%.
- **Additional Handling and Large Packages:** Major focal points of the carriers the last few years, with hikes of 19.6% and 20%, respectively.
- **Peak to Demand:** Carriers are rebranding "Peak" Surcharges to "Demand" Surcharges, suggesting that these fees won't just pop up during the traditional winter "peak" months but rather during off-peak times too.
- **Zip Codes:** UPS (and FedEx) may have made it seem like they did us a favor by trimming down zip codes from the Delivery Area Surcharge. But dig a little deeper, and you'll find a hidden cost increase. In 2024, around 2.7 million more folks will fall under the Delivery Area Surcharge range compared to 2023.

## HOW TO PLAY OFFENSE: THE 2024 SHIPPERS' PLAYBOOK

Here are some quick and actionable tricks to get on the offensive in 2024.

- **Step 1: Capture Data, A LOT of it:** Don't just accept these rate hikes as your fate. There are many strategies to mitigate or even eliminate these increases. Many third-party audit providers offer seamless (and FREE) ways to link your shipping account to access robust reporting and gain a detailed view of your shipping profile.
- **Step 2: Measure Impact and Plan Wisely:** Savvy shippers know the precise impact of the GRI on their bottom line. Carriers have a knack for implementing "revenue levers" and targeting brand new areas to increase profits. In short, just because you didn't overpay on a particular service or surcharge in 2023, doesn't mean you won't overpay on that exact same item in 2024. Things change frequently, a plan is needed. Budgeting a simple 6% increase won't cut it anymore.
- **Step 3: Negotiate a Better Deal:** Once you've got the data on your side and insights into your shipping profile, you can make smart decisions that can drastically reduce your shipping costs. If you've done your research, you'll spot trends and be able to highlight areas of overspend for your next negotiation event.

Mitigating the impact of the GRI can be challenging but is essential. With the current state of parcel industry (UPS and FedEx seeking capacity and new players are making a play at market share), prices should be trending down, not up. Whether you handle negotiations internally or enlist the help of a parcel consultant, the key is in the details. With the right knowledge and tactics, you can stay ahead of the curve.

Stay sharp, stay informed, and stay ahead of the game in 2024.