

# Global Strategic Management (7009CL)

# CW1 - Individual Strategic Report 15904836

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#### 1) Executive Summary:

This report gives an analysis of UPS's business environment and examines the strategies proposed by the company. Sector analysis, Strategic Position, Direction, and the internal resources of UPS are examined to give a relevant recommendation for the company. External analysis reveals significant threats arising from competitive rivalry and the power of Buyers. The strategic position analysis shows that UPS outperforms its competitors in profitability through optimized operations and a hybrid strategy of Cost leadership and differentiation, maintaining a strong market position. The internal environment analysis, using the SWOT and VRIO frameworks, shows that UPS's strong global presence and vast network drives its success. However, fuel costs and economic fluctuations present obstacles. Opportunities in E-commerce growth exist, particularly in the Asia-pacific region, while geopolitical tensions and global conflicts pose threats. UPS gains a sustainable competitive edge through its resources. The BCG matrix suggests investment in Supply chain solutions and financial services. The Ansoff matrix denotes that UPS drives growth through market penetration with Saturday delivery in Europe at no extra costs, market expansion in Asia-Pacific, and product development through route optimization which boosts its customer base and strengthen competitiveness. UPS should focus on emerging markets like India and China with aggressive marketing and local distributor alliances. Overall, UPS must continue to adapt its strategies and introduce new approaches to leverage growth, manage risks and strengthen its competitive position in the global market.

## 2) Introduction:

United Parcel Service is a courier service and Logistics management company that operates in more than 200 countries in the world. It was founded in 1907 by an American.UPS has approximately 1000 distribution centers and around 800 field stocking centers worldwide. More than 2000 UPS flights have been operating around the globe (UPS, 2024). It helps small business companies by providing logistics services for them. The business strategy of UPS is to give a better experience for the customers by delivering their goods with speed and ease without any resistance, and they are more conscious about the capital contribution of the investors by utilizing the investors' money for better outcomes. It has few competitive rivals, such as DHL, FedEx, and USPS in the Logistics industry (Statista, 2024), whereas the rival companies also have a resemblance in their service. There are approximately 500,000 employees working in UPS (UPS, 2024). The report's goal is to examine the Internal and external environment of UPS by applying relevant analytical methods such as Porter's Five forces, KPI analysis, VRIO framework, SWOT analysis, BCG Matrix and Ansoff Matrix. Moreover, it provides a strategic plan to help the company to enhance its performance in areas where they are lacking. In the following step, Sector analysis can be conducted to identify the threat of external factors.

## 3) Sector Analysis:

External environment refers to the External factor which has a high influence on the business operations. **PESTEL analysis and Porter's Five forces can be analyzed to** identify the potential opportunities and risks arising from external factors such as Political, Economical, Social, Technological, Environmental and Legal. These factors can affect the industry's growth in various aspects such as Economic change, Environmental degradation, and Technological advancements (Ronald Buye, 2021). Therefore, this analysis helps to mitigate the risk from these external sources. The two major factors affecting the UPS are Political and Environmental. UPS suspended its services in Russia, Ukraine, and Belarus due to the ongoing conflict between the countries (The Business Times,2022). Unexpected natural events such as Floods, Storms, Landslides, cyclone may affect the delivery process. For Instance, UPS suspended its services in Tanzania due to the unexpected Floods and Landslides in 2023.

# The Sector can be examined by using Porter's Five forces:

Table 1: Porter's Five Forces analysis of UPS

Five Force's	Low	Moderate	High
Competitive Rivalry			Î
Threat of New Entrants		Î	
Threat of Substitutes	Ť		
Bargaining Power of Buyers			Î
Bargaining Power of Suppliers		Ť	

(From my own interpretations)

# **Competitive Rivalry:**

The logistics industry is a thriving sector which has a lot of competitors in the market. However, the larger companies such as UPS, FedEx, DHL, and Amazon logistics are the companies which have more dominance around the world due to the technological advancement such as Tracking accuracy and Reliable deliveries, regulatory compliance including trade agreements, environmental policies and labour laws, and economies of scale which created significant competitive pressures for other companies striving for success. The logistics industry has seen enormous growth in the last few years. The market has been significantly broader

in the post covid period. The most probable factor was the pandemic situation (COVID 19) where all the customers shifted to online retailing which accelerated the growth of E-commerce and Logistics industry. The global logistics market size was 3.7 billion USD in 2023 (Grand view research, 2023). The Exit barriers for logistics companies like UPS, FedEx and DHL are significant due to the substantial investments in cargo flights, ships, trucks and vans for shipping and warehouses and field stocking centers for storage which are the huge barrier for the companies to exit the market. To sum up, these companies face intense competition within the logistics industry.

#### **Threat of New Entrants:**

The logistics industry requires a larger amount of capital to start a company. Companies like UPS, FedEx, and DHL have prioritized significant investments in logistics infrastructure, including transportation, warehousing, and supply chain operations. For Instance, UPS operates around 2000 Cargo flights, and the company has its own distribution center and warehouse around the world (UPS, 2024) which requires higher investment for the new entrants to enter the market. UPS, FedEx, and DHL have strong brand identities that build customer loyalty. Regulatory laws further complicate entry, as firms with more capital and established reputations can more easily navigate licensing requirements. New entrants, however, face challenges in countries like China and Russia due to limited access. "Companies with Technological advancements such as Amazon and Alibaba were the client of LSP. Later, they allocated funds in logistics particularly in Distribution centers and Current technology at the beginning and leased vehicles including Airplanes. Moreover, advanced methods of transportation such as delivering with the help of drones" (Cichosz, 2018). In conclusion, the potential threat for new entrants is moderate for the logistics industry due to High capital, access to distribution channels and Legal barriers to enter the foreign country.

#### **Threat of Substitutes:**

The potential risk of alternatives for Logistics industries such as UPS has low Risk. The Online retail company like amazon have started to deliver their product by own and they have their own warehouses which made the customers to shift from one company to another. "Amazon invested 1.5 billion USD to commence their own Air hub for Amazon Air cargo services at northern Kentucky international airport. It helps for Distribution management, Sorting and AI" (Business wire, 2021).

#### **Bargaining power of Buyers:**

The power of buyers is high for companies like UPS, FedEx, and DHL. The customers can choose the company based on price, better service, and efficiency. The logistics industries have higher competitors where they are more focused on attracting the customers by Cost leadership strategy or Focused strategy. The buyers can compare the companies Services like how they deliver their product without frictions for better price, and it helps them easily shift from one country to another. For Instance, "China's logistics is broader market which have high customer need for premium distribution products with many buyers. It is provided by familiar company SF express, and China has more companies with similar services. When SF express fails to meet buyer's expectations, the buyers can easily switch to different enterprises" (Huang, 2019).

#### Bargaining power of suppliers:

The key elements for the logistics companies are Transportation system ("The Role of Transportation in Logistics Chain," 2005) and Warehouses and offices for storage. Therefore, the companies are outsourcing these products from the suppliers. Despite of prices, the companies always prioritized the superior suppliers to mitigate the risk during the Process of shipping. UPS buy products such as Equipment for Aircrafts, drones and trucks, Management buildings to operate, Human resources for risk management and temporary staffing, Technologies such as Software and hardware and Transportation (UPS, n.d). The Air freighter supplier of UPS is Boeing, "Airlines manufacturing company reports that the UPS ordered eight 767 freighters which increases the UPS's freighter fleet to 108 planes. It is a versatile aircraft that UPS operates across the world" (Boeing, 2022). Therefore, The High-quality product from the suppliers made the companies to stick with their products without searching for new suppliers.

By analysing the Porter's Five Forces, Table 1 shows that the logistics industry has higher potential threat in competitive rivalry and bargaining power of buyers due to more competitions in the industry. Therefore, Customers can switch from one company to another. Whereas New entrants and power of suppliers have moderate threat in logistics industry because of High capital costs to enter the market. There is a minimal risk arising from substitutes due to few companies being capable of starting up their own logistics. Therefore, the company needs to implement long-term strategies to mitigate the risks arising from competitors and the bargaining power of buyers. The strategic position can be identified in the following steps to propose new strategies for the company.

## 4) Strategic Position Analysis:

The strategic position analysis helps to evaluate a company's strategic position in its industry and its prospects for future growth based on Key performance Indicators, Brand positioning and Strategies they have been implementing in their company. It can be assessing with the help of internal factors such as Strength, Weakness, Opportunities, and threats.

# (i) KPI analysis:

Table 2: UPS Market share, Revenue and profit margin comparison with their competitors

	United Parcel Service	FedEx	DHL
Market Share	<b>21.49%</b> (Datanyze)	<b>35.69</b> % (Datanyze)	<b>16.78%</b> (Datanyze)
Revenue	<b>\$90,958 million</b> (UPS annual reports, 2023)	\$90,155 million (FedEx annual reports, 2023)	€81,758 million (DHL annual reports, 2023)
Profit Margin	<b>7.37</b> % (UPS annual reports, 2023)	<b>4.4%</b> (FedEx annual reports, 2023)	<b>4%</b> (DHL annual reports, 2023)

(From UPS, FedEx and DHL annual reports, 2023 and Datanyze, 2024)

By comparing the KPIs of UPS with competitors, FedEx's leads in Market share with 35.69%, followed by UPS at 21.49%, and DHL at16.78% which is very less compared with their competitors. Moreover, it shows that FedEx has higher sales or a broader customer base than UPS. Regarding Revenue, DHL has higher revenue at €81,758 million, ahead of UPS at \$90,958 million and FedEx with \$90,155 million. Even though, UPS has lesser Market share and Revenue than their competitors. However, UPS leads in profitability, with a profit margin of 7.37%, which outperforms FedEx (4.4%) and DHL (4%), which shows the company's productivity, strong brand value and better customer satisfaction. "UPS has regained their revenue and net income after two years of lower revenue generation. UPS's average daily shipment in U.S. has seen an increase of 6.5%. The share value of UPS rose by 8.6% in Newyork Market. As of Wednesday's close, UPS

stock had declined by 16% in this year, in contrast to a 22 percent growth in the S&P 500" (Business times, 2024).

#### (ii) Brand Position:

UPS, FedEx, and DHL are the companies that have been operating for a longer period with a strong customer base and loyalty. They provide better service to their customers by making delivery of the products easy and speedy. It creates a brand reputation for them. "UPS has become the top 1 company in Brand Finance Logistics Ranking which is the 10<sup>th</sup> consecutive year for UPS at 1<sup>st</sup> place valued at 34.6 billion USD. On the other hand, FedEx is in second position with brand value of 28.6 billion USD and DHL in third position with Brand value of 12.2 billion USD" (Brand Finance, 2024).

#### (iii) Porter's Generic Strategies:

The strategies adopted by UPS is Hybrid Strategy which includes,

- 1) Cost Leadership
- 2) Differentiation

#### **Hybrid Strategy:**

Regarding Cost Leadership, United Parcel Service has optimized their shipping cost by Economies of scale. UPS shipping and delivering massive quantities of products at a single time to reduce their shipping costs. UPS delivers 22.3 million parcels per day and 5.7 billion parcels in 2023 (UPS, 2024.). "UPS announced to implement strategy initiatives to reduce the operating costs. UPS highlighted how the strategy helps to enable market share capture and lower its costs to serve through its Network of the future initiatives" (UPS, 2024). Interms of Differentiation Strategy, UPS invested vast amounts of money in technology to outperform their competitors. UPS gives innovative services to their customers by shipment tracking, New Rural access points and Drone delivery. "They made significant investments to enhance faster delivery, network capabilities to track, introduced new rural access points to give better customer service and sustainability. Technological innovations such as next-generation ORION for Route optimization. drone deliveries via UPS Flight forward and collaborations with Waymo for autonomous vehicle testing. Moreover, Sustainability includes an investment in electric vehicles to reduce carbon emissions "(UPS,2024.).

United Parcel Service gains a competitive advantage through Hybrid Strategy. UPS ability to being cost efficient with provide innovative services to meet

customer needs effectively. Therefore, UPS creates a strong competitive position in the industry. Furthermore, Internal capabilities of UPS can be analysed to identify the Competitive advantage and Positive and negative aspects of UPS.

## 5) Internal Business Environment Analysis:

It refers to examining the internal factors that influence a company's capacity to achieve its goals and maintain its competitive advantage. The SWOT analysis and VRIO framework can be done in this method. UPS operates a vast variety of vehicles which helps them to ship and deliver the goods with speed and Ease. The company is known for its strong brand reputation and customer satisfaction, supported by technologies like the ORION system, UPS My Choice, and drone delivery (UPS, 2024), UPS efficiently manages its global logistics network.

#### **Resources and Capabilities:**

UPS operates a vast fleet of 135,000 vehicles, including 17,000 advanced technology vehicles, and 294 jet aircraft. It has 1,000 distribution centers and 800 field stocking centers (UPS, 2024). It delivers 22.3 million packages per day and 5.7 billion packages in 2023 (UPS, 2024). Aircraft facilities enable them to provide faster global shipment with full protection which reaches customers worldwide.

2) Technological resources such as the **ORION system enable** them real-time, dynamic route adjustments and help the drivers to optimize their deliveries on time. **UPS My Choice** offers features such as delivery notifications, estimates delivery time and provide options to choose alternative delivery locations (UPS, 2024).

# (i) VRIO Framework:

Figure 1: VRIO framework of UPS



**Value:** Resources such as the massive fleet of transportation and jet crafts add significant value to UPS by providing fast and reliable deliveries to satisfy the customers.

**Rarity:** UPS Air fleet, delivery network and technology such as ORION and Drone delivering are unique compared to competitors.

**Imitability:** Technology innovative and Transporation facilities required high investment to imitate by the competitors.

**Organization support:** UPS exploit their resources effectively to enhance customer satisfaction and improve brand reputation.

## (ii) SWOT analysis:

SWOT analysis examines the advantages and challenges of a company and Potential and hazards arising from the External Environment. It helps the company to develop long-term strategies to utilize strengths, improve weaknesses, seize opportunities and Mitigate the Risks (Emet, 2017).

#### Strengths:

UPS is a Globally recognized brand which attracts a customer with their innovative services. It has a vast logistics network with 135,000 vehicles, 294 jet crafts and 1,000 Distribution centers. UPS provides reliable and faster delivery by innovative technologies such as ORION and Drone deliveries. It has a Team of around 500,000 globally (UPS, 2024).

#### Weaknesses:

Fuel and Energy costs are the weaknesses of UPS due to the vast fleet of vehicles operated by UPS. UPS require large volume of fuel to operate their delivery vehicles, and the price fluctuations of petroleum products are one of the risks for UPS (UPS, 2024, p.g:14)

#### **Opportunities:**

The E-Commerce growth enables UPS to expand its Market and improve services in the emerging markets such as the Asia Pacific Region to meet the customer demand and attracting a larger customer base. "Asia Pacific region is one of the emerging markets for UPS. Therefore, their capital allocation in that region has continued to provide fast and reliable services (UPS, 2024).

#### Threats:

UPS operates in more than 200 countries, and it has been influenced by local and Global economic factors which includes industrial production, inflation and unemployment are unexpected and it can materially affect the business (UPS, 2024, p.g:10). The other potential Risk is the Geopolitical tensions and conflicts in

the region such as UK, Russia, European Union, Ukraine, and the Middle East affects its operations and Financial Performance (UPS, 2024, p.g:10).

By applying VRIO and SWOT framework to UPS, it shows that UPS gain sustainable competitive advantage through its Resources and evaluates the possibilities and hazards from the external factors. Moreover, the strategic direction of UPS can be analyzed to identify where the strategies are effective.

# 6) Strategic Direction Analysis:

It helps to examine the current position of the company and set the direction of a business in the future. It can be analyzed with the help of Vision and Mission statements, Competitive analysis and Strategic process. BCG Matrix and Ansoff matrix can be used in this Analysis. The company's goal is to become an efficient logistics provider which will be preferred by the customers and Global leader in Logistics.

#### (i) BCG matrix:

It helps the organization to Analyse the portfolio of each product in a company. It can be done with the help of Market Share and Market growth of each product. "It differentiates the company's products into four types; 1) **Stars**, 2) **Question Marks**, 3) **Cash Cows**, 4) **Dogs**. It recommends that the company should have stability in their range of products. (Haradhan Kumar Mohajan, 2018).

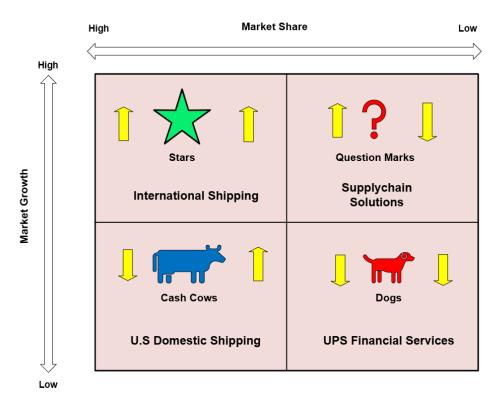


Figure 2: BCG matrix analysis of UPS

(From my own interpretations)

**Stars**: UPS international shipping has a higher market growth and Market share which enables them to expand their market, and it drives the Future growth of the UPS.

**Question Marks:** The Growth rate of UPS Supply chain solutions is higher. However, the market share is at Minimal level. It shows that UPS Supply chain solutions need more investment to reach a higher position.

**Cash Cows:** Domestic shipping of UPS reached a maturity stage where the market has seen enormous growth, and the revenue generation is stable. However, it has no potential to growth in the future.

**Dogs:** The Financial Services of UPS such as Shipping Insurance have lesser contributions in UPS Total Revenue and Both the Market share and Market Growth rate are in Diminishing Rank.

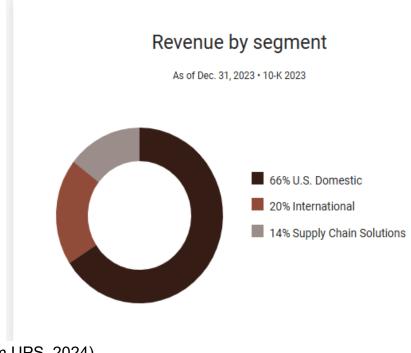


Figure 3: Revenue generation of UPS different Services

(From UPS, 2024)

The chart clearly shows that U.S domestic shipping plays a major role in UPS Revenue generation (66%), and it reached a maturity stage. The International shipping of UPS generates 20% which is in the growth stage, and it needs more capital to expand. The Higher competitions in the supply chain causes the decline in the Revenue generation.

### (ii) Ansoff Matrix:

It is strategic management tool which helps an organization to analysing the products and Markets. It is used to Analyse the strategies for a company to expand their market and introducing a new product more precisely. The four strategies are, 1) Market Penetration, 2) Market Expansion, 3) Product development, 4) Diversification (Yin, 2016).

The strategies implemented by UPS are giving reliable services to the customers, Purpose of UPS is to be delivering what important for the people and being the most technological side which helps the customers to track the parcel and delivering with accuracy.

# 1) Market Penetration:

UPS strengthened its service in European markets by offering the delivery services on Saturday without any additional charges. It helps them to attract more customers, and UPS is the only company which provides Saturday Standard delivery in Europe. It enables them to reach around 130 million households (UPS, 2024).

### 2) Market Expansion:

UPS invested **\$250 million** in Asia pacific region especially in Philippines to expand their market by made an agreement with Airport Development corporation at Clark Airport in Philippines. The President of UPS, Wilfredo Ramos said that "Asia Pacific Region to meet the customer demand and attracting a larger customer base. "Asia Pacific region is one of the emerging markets for UPS. Therefore, their investment in that region has sustained to provide fast and reliable services" (UPS, 2024).

#### 3) Product Development:

UPS improves their customer service with the help of Technology such as **route optimization and Delivery tracking.** It helps them to attract customers and gain competitive advantage. UPS provides faster delivery to the customers in Asia, Africa and Middle East which includes around 35 countries, and offers next day delivery to the customers in Asia pacific region which helps them to gain more customer base (UPS, 2024). The route optimization helps UPS to identify the most effective routes which helps them to consume less fuel and able to deliver in shorter period (Jiangshan, 2023).

By analysing Figure 2, UPS needs to propose a new strategy to achieve a better position in Supply Chain Solutions as same as U.S domestic and international shipping. The company need to expand their market in highly emerging markets such as India. The significant rise of E-commerce in India enables the big companies such as Flipkart and Amazon to allocate more funds on Supply chain Management (Sharma et al., 2024). Additionally, the new approaches for UPS to improve its performance and increase their revenue can be examined in the following paragraph.

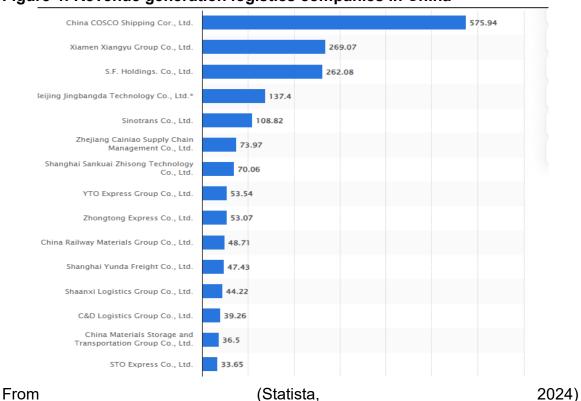
#### 7) Strategic Expansion:

#### **Market Penetration:**

Even though, UPS operating in more than 200 countries, they need to increase their market share in some countries which includes India. Evaluating the top 10 Supply chain companies in India which is based on Market share, financial performance and brand reputation, where UPS is Underperforming and does not make the Top 10 (Shreedatri, 2023). In the past few decades, India saw a tremendous growth in Supply chain Management. After the implementation of Globalization, Supply chain market has widened which includes Strategic planning, Stock control, forecasting of market demand, and Customer Engagement (Sharma et al., 2024). Therefore, UPS is required to provide supply chain services with affordable costs which helps to increase the customer base in emerging markets and outperform the competitors along with boosting their brand awareness by aggressive marketing.

# **Alliance with Local Distributors:**

Figure 4: Revenue generation logistics companies in China



China has the largest population in the world and has one of the busiest ports (Shanghai). It handles 50 million TEUs in a single year and the port has technical advancements (Marine Insight, 2024). However, Figure 4 shows that the local distributors such as China Cosco shipping, SF express and Sinotrans dominate the China logistics industry which diminishes the opportunities for UPS to generate more revenue. Therefore, UPS needs to make an alliance with the local distributors to access the local markets, Easy to understand customer demand, and reduce high-cost investment.

Therefore, UPS needs to adopt the strategies as discussed above to achieve a better position in the market and gain a competitive advantage. In addition, The SAF framework can be applied to identify strategies that are suitable, acceptable and feasible for the company.

# 8) SAF Framework:

It refers to Suitability, acceptability, and Feasibility, which helps to evaluate the organization's strategy to determine whether the strategy implemented by the company can achieve its long-term goals, while highlighting the advantages and Risks encountered by the company, The Strategy should fully satisfy the Shareholders, Employees and Customers, and the company must have sufficient resources to apply the strategy.

Table 3: SAF Framework for UPS Strategy

	Market Penetration (Saturday Delivery in European Market)	Market Development (Expansion in Asian Market)	Product Development (Faster delivery Technology)
Suitability	High	High	High
Acceptability	High	Moderate	Moderate
Feasibility	High	Moderate	High

(From my own interpretations)

By applying the SAFe framework to UPS strategy, Table 3 shows that **Market Penetration** in the European region by offering Saturday standard delivery is Highly suitable to proceed. It is accepted by the stakeholders because UPS is the only company which provides Saturday delivery without further charges, and it is

feasible for the company because of their global reach and high revenue generation. Regarding **Market Development** in the Asia Pacific region, it is highly suitable for the company because it is one of the emerging markets which has rapid growth. The market expansion strategy helps them to reach the local market, However, the acceptability and feasibility are moderate due to the dominance of local carriers and threats arising from the local competitors. In terms of **Product Development**, the suitability is high because it helps them to gain more customers in the Asian Market through technological advancements such as route optimization and delivery tracking helps them provide faster and reliable delivery. It is highly feasible for the company due to its existing innovations in other markets. However, acceptability is moderate because high technology requires significant investment, and there is a high risk if the company fails to succeed in the market.

Table 4: SAF framework for Proposed Strategy

	Market Penetration (India Market)	Alliance with domestic logistics provider (China Market)
Suitability	High	High
Acceptability	Moderate	High
Feasibility	Moderate	High

(From my own interpretations)

By applying SAFe framework to Proposed strategy for UPS, Table 4 shows that chance of Suitability, acceptability and feasibility. Regarding Market penetration in India, UPS already operating India. However, UPS is facing strong competitions from regional logistics providers such as DHL and Blue Dart (Shreedatri, 2023). Therefore, Market penetration in India helps them to attract customer base. UPS strategy of providing services at reasonable price and increase the brand awareness by aggressive marketing is a highly suitable strategy. However, Acceptance from Stakeholders and Feasibility is Moderate due to the existing competitors having strong performance and customer satisfaction. In terms of Alliance with domestic logistics provider in Chinese market, the suitability, Acceptability and Feasibility for alliance are higher because it helps them mitigate infrastructure cost and easy to understand customer demands. It can be easily accepted by the stakeholders because it helps them reduce capital costs and customers can easily identify the brand name of UPS with the help of regional companies. It is feasible for UPS since it already operates in Chinese market which enables them to build partnerships with local companies and mitigates the competition.

#### 9) Conclusions:

To sum up, this strategic report provides a comprehensive analysis of UPS's external environment, strategic position, direction and internal capabilities. It recognizes the potential risk from competition and buyer power. UPS has a higher profit margin than its competitors, which shows the company's strong performance. However, the supply chain solutions need more investment and new approaches to gain a customer base. The strategies implemented by UPS are highly suitable for addressing the opportunities and threats. However, new approaches should be adopted to become the logistics leader in the Asia-pacific region.

#### 10) Recommendations:

UPS should have more focus on Asian markets such as India and China because it is one of the emerging markets in the world (Agility Logistics, 2023). UPS should implement strategies such as proactive marketing to enhance its brand presence and partnership with regional suppliers to meet the customer needs with less investment. Additionally, UPS should allocate more funds to technology such as IOT to predict the weather conditions and better routes to deliver in a shorter period and avoid disruptions. UPS warned their customers that delivery might face difficulties due to the ongoing winter storm in U.S. affected the distribution hubs (Elizabeth Pritchett, 2022). Therefore, it helps them to forecast the weather to avoid risks. Even though UPS is one of the global logistics leaders, they need to concentrate on emerging markets to gain a high market share and investing more funds in technologies which helps to deliver without any fractions and in Electric vehicles to reduce fuel costs.

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