

LOGISTICS REPORT

UPS Strikes Agreements to Use Drones to Deliver Medical Supplies

First pacts under carrier's new regulatory authority target high-stakes, time-critical health-care field



UPS is striking deals with medical groups to launch its commercial drone delivery services. Shown, a UPS drone built by Matternet Inc. **PHOTO:** UPS/AGENCE FRANCE-PRESSE-GETTY IMAGES

By Jennifer Smith

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United Parcel Service Inc. is striking a series of drone-delivery agreements with health-care groups as it develops new technology pitched to the growing medical market.

The plans include expanding the use of drones to deliver cargo such as medical samples and supplies on hospital campuses in Utah and elsewhere, and an agreement with CVS Health Corp. to evaluate the use of drones for home delivery of prescriptions and other products, UPS said Monday.

The agreements are the first UPS has announced since the package delivery giant won U.S. regulatory approval to operate commercial drone flights through the company's Flight Forward subsidiary. The nod from the Federal Aviation Administration paves the way for UPS to scale up operations as it competes with FedEx Corp., Amazon.com Inc. and others vying to develop drone delivery services in the U.S.

The company said medical supplies are particularly well suited to drone delivery because products such as blood and medical specimens are light and tend to be of uniform size. Such items require faster turnaround times and offer higher margins than delivery segments such as e-commerce.

“It is a premium move,” said Dan Gagnon, UPS’s vice president of health-care logistics, marketing and strategy. “We’re talking perishable products and important results.”

UPS began delivering medical supplies via unmanned drones in March at the Raleigh, N.C., campus of health-care provider WakeMed Health & Hospitals. Drones have cut delivery times at the WakeMed facility to three minutes, Mr. Gagnon said, compared with about 19 minutes or longer for products delivered through road courier networks, which often involve multiple stops.

It plans to roll out a similar service at the University of Utah Health campus in Salt Lake City.

The project with CVS would help UPS’s drone unit expand from business-to-business moves into consumer deliveries, company officials said.

The parcel carrier is also planning a drone logistics project with Kaiser Permanente to examine how drones can help move supplies between buildings at the health-care provider’s 39-hospital network.

UPS is working with drug distributor AmerisourceBergen Corp. on plans to deliver some pharmaceuticals, supplies and records from its warehouses to its hospital customers by drone. “The No. 1 targeted operating model is from their facilities to campuses,” Mr. Gagnon said. “Once you have established landing pads and have an intra-hospital network, it’s a very easy incremental step.”

Last week FedEx and Alphabet Inc. ’s Wing aviation spinoff launched a trial using Wing drones to ferry packages to homes in Christiansburg, Va., in what the companies said was the first scheduled commercial residential drone delivery service in the U.S. Residents participating in the trial can also order health and wellness products from the Walgreens Boots Alliance Inc. pharmacy chain, FedEx said.

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