

UPS Audit Report

December 2015

for Adafruit Industries

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Overview

With the exception of 3 Day Select, shipping revenue saw a decrease this month as the holiday season came to a close. Despite this, average revenue per order saw an increase across the board. Some high surcharges remain to be the delivery signature confirmation surcharge, and the extended/remote/delivery area surcharges, while discrepancies between entered and dimensional weight remain high.

Shipping Revenue

Monthly shipping revenue and orders per service both saw a decrease from November to December 2015, with the exception of 3 Day Select which saw a 22.62% increase in shipping revenue, and a 16.19% increase in the number of orders shipped. The average monthly revenue, per service as well as overall, increased, with Express Saver taking the lead with a 7.38% increase, and Next Day Air in last place with a 0.87% increase.

The highest dollar shipping revenue came from Ground (\$116,418), with the second highest from Worldwide Express (\$86,551). Most orders were shipped using Ground (13,938) with 2nd Day Air as the runner up (3,973).

December revenue and number of orders			
service	monthly revenue	monthly orders	monthly revenue per order
2nd day air	\$50,955.36	3,973	\$12.83
3 day select	\$33,416.82	2,863	\$11.67
express saver	\$32,892.63	735	\$44.75
ground	\$116,418.85	13,938	\$8.35
next day air	\$34,042.44	1,861	\$18.29
worldwide express	\$86,551.00	2,160	\$40.07
grand total	\$354,277.10	25,530	\$135.96

Nov to Dec % change			
service	monthly revenue	monthly orders	monthly revenue per order
2nd day air	-0.36%	-4.54%	4.38%
3 day select	22.62%	16.19%	5.53%
express saver	-17.36%	-23.04%	7.38%
ground	-11.70%	-14.55%	3.33%
next day air	-11.32%	-12.09%	0.87%
worldwide express	-16.20%	-21.51%	6.77%
overall	-9.56%	-11.24%	5.59%

Services: number of packages, net amount, and average net amount

Two tables, one for each UPS account, are below with the top 10% of each column highlighted.

In account # 000071EY05, the Worldwide services have the highest average net amount (the amount we pay UPS after incentive amounts are deducted, and not including fuel surcharges or other fees), with Worldwide Express Shipment taking the lead.

In account # 0000A881T5, Worldwide Expedited has the highest average net amount, with Next Day Air Early Commercial Collect as the runner up.

Although the number of packages that were shipped using Ground (both residential and commercial) was the highest in each account, these average net amounts tend to be some of the lowest.

services	number of packages	sum of net amount	average net amount
000071EY05 totals	26,886	\$295,515.33	\$10.99
2nd Day Air Commercial	1,078	\$10,162.36	\$9.43
2nd Day Air Residential	3,081	\$28,116.35	\$9.13
3 Day Select Commercial	611	\$5,120.79	\$8.38
3 Day Select Residential	2,359	\$18,590.97	\$7.88
Ground Commercial	3,282	\$22,660.20	\$6.90
Ground Commercial Collect	20	\$135.48	\$6.77
Ground Residential	11,296	\$75,770.63	\$6.71
Next Day Air Commercial	761	\$11,053.78	\$14.53
Next Day Air Residential	1,177	\$16,823.78	\$14.29
Next Day Air Saver Residential	1	\$38.26	\$38.26
Not Previously Billed 2nd Day Air Commercial	1	\$8.50	\$8.50
Not Previously Billed Fuel Surcharge	22	\$15.50	\$0.70
Worldwide Expedited	1,972	\$61,639.51	\$31.26
Worldwide Expedited Shipment	6	\$1,115.22	\$185.87
Worldwide Express	388	\$13,894.12	\$35.81
Worldwide Express Shipment	1	\$224.46	\$224.46
Worldwide Saver	825	\$29,334.22	\$35.56
Worldwide Saver Shipment	3	\$528.47	\$176.16
WW Saver	2	\$282.73	\$141.37

services	number of packages	sum of net amount	average net amount
0000A881T5 totals	245	\$3,960.92	\$16.17
2nd Day Air Commercial Collect	23	\$1,106.26	\$48.10
3 Day Select Commercial Collect	1	\$11.23	\$11.23
Ground Commercial	19	\$194.91	\$10.26
Ground Commercial Collect	159	\$1,764.56	\$11.10
Ground Commercial Third Party	33	\$460.94	\$13.97
Next Day Air Commercial Collect	1	\$57.49	\$57.49
Next Day Air Early Commercial Collect	1	\$63.32	\$63.32
Next Day Air Residential	1	\$16.00	\$16.00
Next Day Air Saver Commercial Collect	1	\$20.51	\$20.51
Worldwide Expedited	1	\$85.32	\$85.32
Worldwide Saver	5	\$180.38	\$36.08

Entered vs Billed Weight

Below are two tables for each account showing the entered and billed weight, as well as the difference between the two (billed weight minus entered weight).

For account # 000071EY05, the largest weight discrepancies belong to Ground Residential (10,924 lbs.), Ground Commercial (3,127 lbs.), 2nd Day Air Residential (2,989 lbs.), and 3 Day Select Residential (2,285 lbs.). More work should be done on Dev's box predictor tool in order to reduce these discrepancies closer to zero.

For account # 0000A881T5, all of the discrepancies are negative. Without knowing the specifics of each shipment contained in this account, we can surmise that most if not all of these shipments are inbound by noticing that most of the services are either "collect" or "third party", and by recalling that this account is used primarily for inbound shipments.

If most of these shipments are in fact inbound, then the negative weight difference is concerning. This implies that we are paying a higher rate than necessary to our suppliers, since we are charged by the billed weight and not by the entered weight. More investigation is needed to establish these details.

services	sum of entered weight	sum of billed weight	weight difference
000071EY05 totals	30,840	56,619	25,779
2nd Day Air Commercial	766	1,806	1,040
2nd Day Air Residential	1,460	4,449	2,989
3 Day Select Commercial	607	1,195	588
3 Day Select Residential	1,294	3,579	2,285
Ground Commercial	7,595	10,722	3,127
Ground Commercial Collect	206	210	4
Ground Residential	7,599	18,523	10,924
Next Day Air Commercial	585	1,317	732
Next Day Air Residential	909	2,049	1,140
Next Day Air Saver Residential	18	18	0
Not Previously Billed 2nd Day Air Commercial	1	1	0
Not Previously Billed Fuel Surcharge	0	0	0
Worldwide Expedited	5,012	6,690	1,678
Worldwide Expedited Shipment	567	544	-23
Worldwide Express	1,196	1,542	346
Worldwide Express Shipment	86	87	1
Worldwide Saver	2,638	3,587	949
Worldwide Saver Shipment	256	254	-2
WW Saver	45	46	1

services	sum of entered weight	sum of billed weight	weight difference
0000A881T5 totals	4,936	5,674	738
2nd Day Air Commercial Collect	489	580	-1069
3 Day Select Commercial Collect	6	6	-12
Ground Commercial	439	439	-878
Ground Commercial Collect	3,098	3,640	-6,738
Ground Commercial Third Party	862	935	-1797
Next Day Air Commercial Collect	20	24	-44
Next Day Air Early Commercial Collect	2	2	-4
Next Day Air Residential	1	1	-2
Next Day Air Saver Commercial Collect	3	3	-6
Worldwide Expedited	9	22	-31
Worldwide Saver	7	22	-29

Returns and Reroutes

Total returns and reroutes amount to \$796, only 0.22% of the total shipping revenue for December.

returns reroutes	count	sum of net amount
000071EY05 totals	77	\$789.12
3 Day Select Return to Sender	3	\$22.80
3 Day Select Undeliverable Return	6	\$45.60
Ground Residential UPS Delivery Intercept	1	\$6.61
Ground Undeliverable Return	18	\$133.92
Not Previously Billed Saturday Delivery	21	\$336.00
Reroute - Web Request	4	\$50.00
Return To Sender - Web Request	3	\$37.50
Returns / Undeliverables	2	\$20.00
Returns Declared Value	2	\$2.82
Returns Electronic Label	5	\$5.00
Returns Fuel Surcharge	5	\$1.76
Returns Ground	5	\$33.71
WW Saver Undeliverable Return	2	\$93.40
0000A881T5 totals	3	\$7.80
Returns Fuel Surcharge	1	\$0.36
Returns Ground	1	\$6.94
Returns Print Label	1	\$0.50
grand total	80	\$796.92

Address Corrections and Residential Surcharges

Address correction and residential surcharges remain high, totaling \$43,700 over both accounts. However, only 3% of this amount (\$1,297) was not absorbed through customer subtotals and subsequently covered by our \$0.05 order add-on. In fact, after accounting for the unabsorbed amount in full, the order add-on total left us with a small surplus of \$194.

Although these surcharges are covered by either the subtotal of the customer's order, or by our \$0.05 order add-on, a UPS incentive for address correction surcharges would be beneficial, and the \$0.05 order add-on could be reinvested back into the company.

The total amount generated by the \$0.05 order add-on was almost \$1,500 - at this rate that is about \$18,000 per year. Since the order add-on grows proportionally with the number of orders, it will only get larger as our clientele increases.

address and residential	count	sum of net amount	sum of incentiveAmount
000071EY05 totals	18,522	\$43,002.11	\$18,698.48
Address Correction 2nd Day Air	11	\$137.50	\$0.00
Address Correction 3 Day Select	10	\$125.00	\$0.00
Address Correction Expedited	21	\$262.50	\$0.00
Address Correction Express	4	\$50.00	\$0.00
Address Correction Ground	46	\$576.00	\$0.00
Address Correction Next Day Air	8	\$100.00	\$0.00
Address Correction Worldwide Saver	8	\$100.00	\$0.00
Residential Adjustment	1	\$2.74	\$0.00
Residential Surcharge	18,413	\$41,648.37	\$18,698.48
0000A881T5 totals	2	\$4.94	\$1.66
Residential Surcharge	2	\$4.94	\$1.66
grand Total	18,524	\$43,007.05	\$18,700.14

Delivery/Remote/Extended Area Surcharges

Delivery, remote, and extended area surcharges are still some of the highest surcharges we incur for which we do not receive any incentives. These surcharges apply to recipients within certain zip codes and international regions which UPS has deemed remote or otherwise difficult to deliver to. A complete list, which is lengthy, can be obtained from the UPS website.

The total cost of these surcharges over both accounts was \$11,809. We have some options to mitigate these surcharges, which are listed below from easiest to most difficult to implement:

- Easy: Add an additional flat rate of \$0.32 to every order (much like the \$0.05 order add-on for address correction and residential surcharges). The total order add-on would become \$0.37.
- Medium: Charge any recipient in any one of these zones a fee of \$4.00
- Difficult: Charge each recipient in each zone exactly what UPS would charge us. This fee ranges from \$2.20 to \$30.

The highest average charge for the last two months is attributed to the extended area and remote area surcharges.

delivery/ remote/ extended area	count	sum of net amount	sum of incentive amount	average net amount
000071EY05 totals	2,921	\$11,807.45	\$0.00	\$4.04
Delivery Area Surcharge	1,614	\$4,889.25	\$0.00	\$3.03
Delivery Area Surcharge - Extended	1,214	\$4,389.70	\$0.00	\$3.62
Extended Area Surcharge	70	\$2,100.00	\$0.00	\$30.00
Remote Area Surcharge	23	\$428.50	\$0.00	\$18.63
0000A881T5 totals	1	\$2.20	\$0.00	\$2.20
Delivery Area Surcharge	1	\$2.20	\$0.00	\$2.20
grand Total	2,922	\$11,809.65	\$0.00	\$4.04

Other Surcharges

Next to the fuel surcharge, the delivery confirmation signature surcharge is the highest surcharge we incur within this category. Although we receive an incentive for this surcharge, it still cost us \$1,179 over both accounts (after incentives are applied). The fee per customer is around \$2.70. One way to mitigate this surcharge would be to offer this option to the customer and charge them accordingly.

Other high surcharges for account # 000071EY05 include the electronic export information fee (\$440), while a high surcharge for account # 0000A881T5 includes the declared value fee (\$860). Total surcharge amount over both accounts was about \$20,000, of which 83% can be attributed to fuel surcharges. Without the fuel surcharges, the total amount of this category is \$3,349 across both accounts.

One thing to be on the lookout for is an increase in unfamiliar surcharges. As of now they do not total to much, but surcharges like additional tariff lines, brokerage fees, disbursement fees, and value added tax fees seem to be on the increase.

other surcharges	count	sum of net amount	sum of incentive amount	average net amount
000071EY05 totals	27,392	\$18,817.27	\$20,676.96	\$0.69
Additional Handling	2	\$18.00	\$0.00	\$9.00
Additional Tariff Lines	1	\$54.00	\$0.00	\$54.00
Billing Adjustment for w/e 12/26/2015	1	\$10.00	\$0.00	\$10.00
Brokerage Fees	1	\$8.12	\$0.00	\$8.12
Certificate of Origin Preparation Fee	2	\$20.00	\$0.00	\$10.00
Delivery Confirmation Signature	436	\$1,176.47	\$579.28	\$2.70
Disbursement Fee	4	\$34.50	\$0.00	\$8.63
Duty Amount	2	\$121.36	\$0.00	\$60.68
Duty and Tax Forwarding Surcharge	3	\$45.00	\$0.00	\$15.00
Electronic Export Information Fee	44	\$440.00	\$0.00	\$10.00
Entry Prep Fee	1	\$25.25	\$0.00	\$25.25
Fuel Surcharge	26,889	\$16,670.68	\$20,097.68	\$0.62
Merchandise Processing Fee	3	\$52.00	\$0.00	\$17.33
Value Added Tax	2	\$134.95	\$0.00	\$67.48
ZONE ADJUSTMENT Next Day Air Saver	1	\$6.94	\$0.00	\$6.94

other surcharges	count	sum of net amount	sum of incentive amount	average net amount
0000A881T5 totals	294	\$1,202.83	\$218.93	\$4.09
Declared Value	38	\$860.40	\$0.00	\$22.64
Delivery Confirmation Signature	1	\$2.68	\$1.32	\$2.68
Duty and Tax Forwarding Surcharge	5	\$75.00	\$0.00	\$15.00
Early Surcharge	1	\$30.00	\$0.00	\$30.00
Fuel Surcharge	247	\$199.97	\$217.61	\$0.81
Standard to Canada	2	\$34.78	\$0.00	\$17.39

Summary of actions to consider

- Dimensional Weight:
 - (Pg. 6) Keep working on Dev's box predictor tool to reduce the difference between entered and billed weight down to zero
 - (Pg. 6) Investigate shipments from account #0000A881T5 to verify whether or not we are being overcharged for inbound shipments
- Address Correction Surcharges:
 - (Pg. 10) Negotiate an incentive amount for address correction surcharges
- Delivery/remote/extended Area Surcharges:
 - (Pg. 11) Consider one of the three ways methods to reduce these charges.
- Delivery Confirmation Signature:
 - (Pg. 12) Offer this option to customers during checkout and charge them accordingly.
- Other Surcharges:
 - (Pg. 12) Be on the lookout for strange, unfamiliar fees if they begin to amount to large dollar values.

Conclusion

After a busy and record breaking holiday season, shipping revenue and package volume is beginning to settle down. However, product revenue for December saw a year over year increase of 52.3% while the number of orders saw a year over year increase of 10.6%. By continuing to tweak Dev's box predictor tool we can hope to reduce the overall discrepancy between entered and billed weight, and by considering steps to mitigate certain problematic surcharges we can hope to reduce the amount we pay in fees.