

Shipping Audit November 2016

For Account# 000071EY05

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Purpose + General Points

- The purpose of this monthly shipping audit is to assess the costs and revenue generated by Adafruit's shipping activities with UPS and USPS.
- UPS recently announced that it will increase the cost of its Ground, Air, and International services by an average of 4.9 percent. UPS will also increase the dollar-cost of select accessorial surcharges. All changes will be in full effect by February 2017. Adafruit will monitor the effects of these increases, and steps are currently being taken to assess the impact of switching all or some of the company's UPS volume to another carrier.
- Data from November 2016 shows a healthy shipping profit margin of nearly 4 percent.
- Most late shipments come from the UPS Worldwide Services, and most overcharges come from UPS Ground.

Overview

During November 2016 Adafruit made a shipping profit of nearly \$16,000. This shipping profit shows that the Company is correctly quoting customers on shipping costs. Including free shipping, the shipping profit margin was nearly 4 percent. Excluding free shipping, the shipping profit margin was nearly 9 percent. Offering free shipping on UPS Ground orders of \$200 or more remains a viable customer incentive.

The total dollar amount that Adafruit was overcharged was only 1 percent of the total shipping revenue. In terms of the types of services used, domestic services accounted for 75 percent of total orders shipped and contributed 58 percent to total shipping revenue. Total UPS shipments accounted for 83 percent of the total number shipped, while USPS shipments amounted to 17 percent.

Conclusion+ Follow-up

With the exception of monitoring how the UPS rate change will affect our shipping costs, no action is currently necessary. Through precise pricing and a healthy margin, Adafruit has managed to make a small profit on shipping during the month of November 2016.

Please see the accompanying workbook for a more in-depth look into the numbers.

Feel free to contact Jarad at Jarad@Adafruit.com with any questions.