

UPS Audit Report

September 2016

For Account# 000071EY05
created 11/15/2016

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Bullet Points

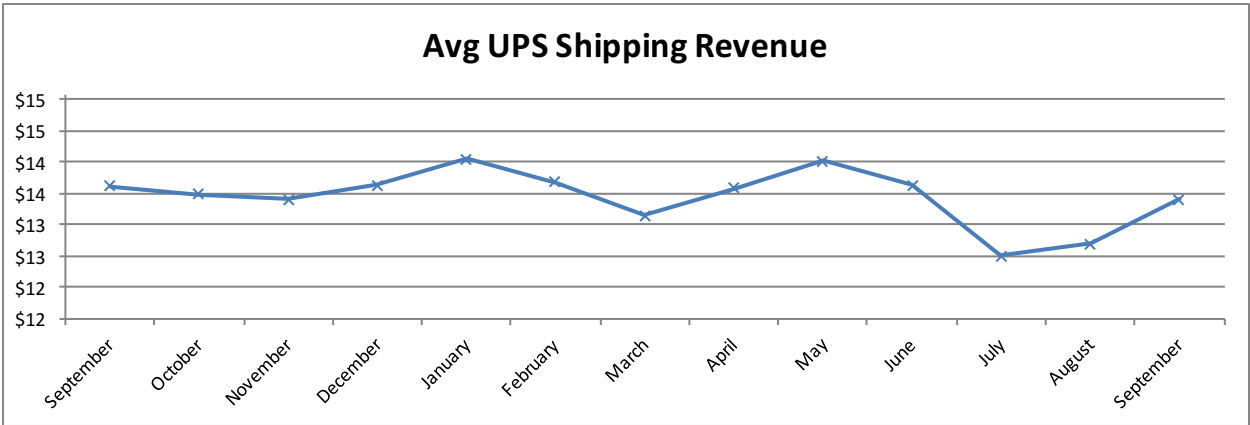
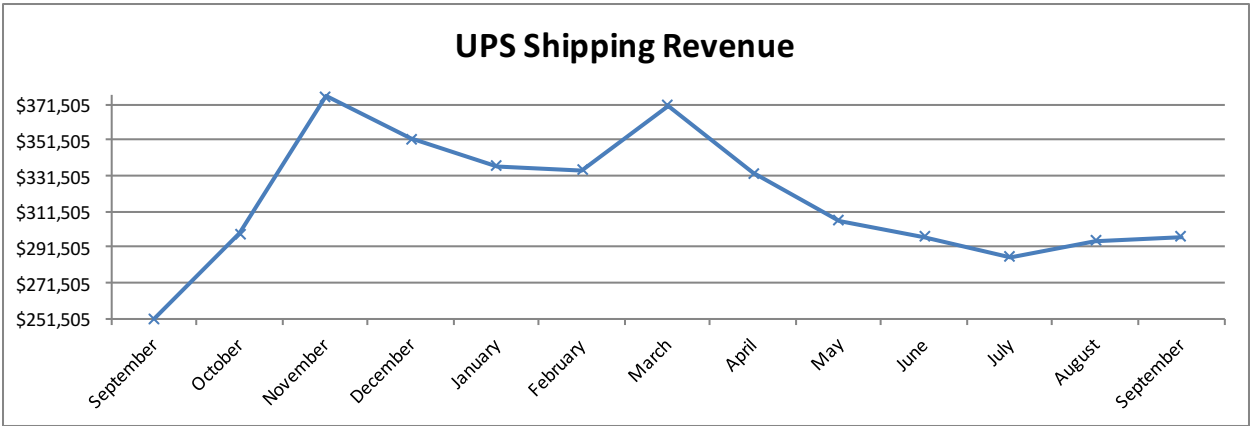
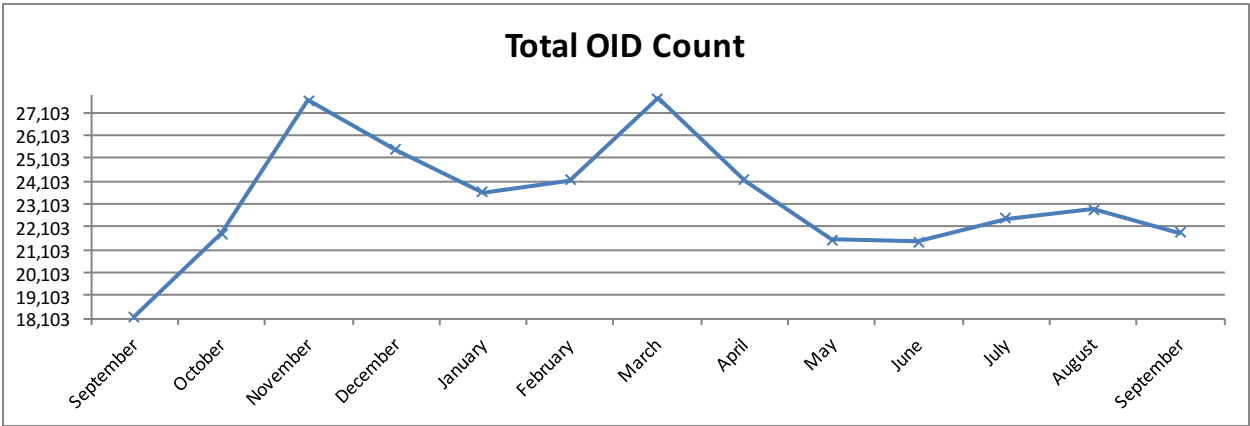
UPS Overall			
Adafruit UPS Ship Rev	UPS Charge	UPS Shipping Profit	UPS Profit Margin
\$293,902.16	\$295,952.76	-\$2,050.60	

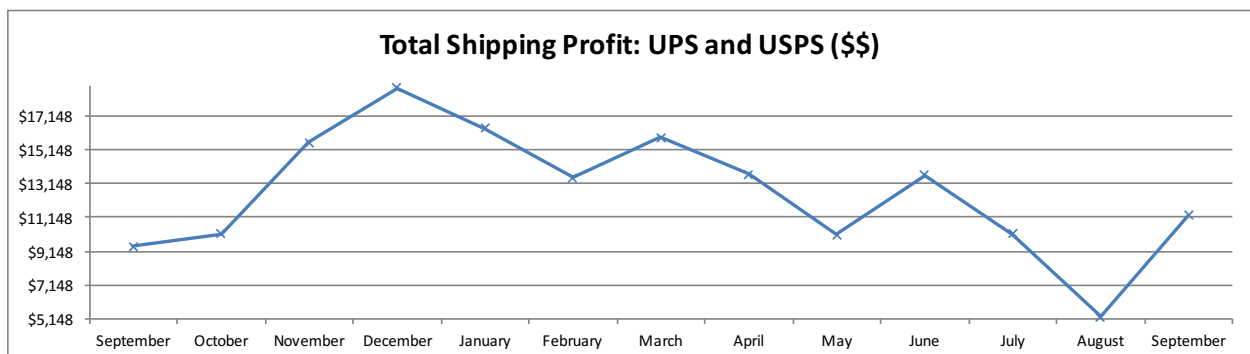
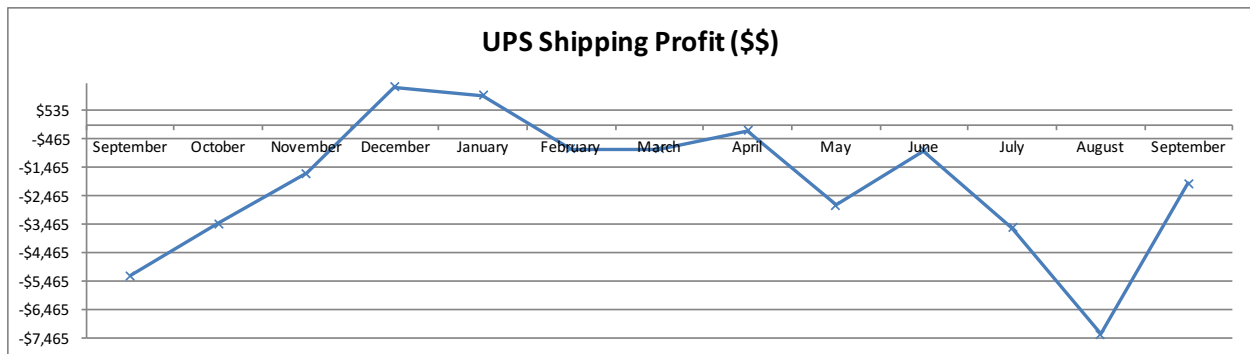
Total Shipping Profit: UPS and USPS (\$\$)			
Adafruit Total Ship Rev	Total Shipping Charge	Total Shipping Profit	Total Profit Margin
\$330,565.25	\$319,035.16	\$11,530.09	3.49%

Outgoing Late Shipments			
Service	Late Count	% of Total	Potential Refund
UPS Worldwide Expedited	97	6.04%	\$3,288.59
UPS Worldwide Saver	30	6.04%	\$1,244.46
UPS Worldwide Express	31	10.76%	\$1,170.71
UPS Ground	5	0.03%	\$31.70
UPS Next Day Air	1	0.10%	\$18.90
UPS 2nd Day Air	1	0.04%	\$13.67
UPS 3 Day Select	1	0.09%	\$11.77
Total	195	0.90%	\$5,779.80

- Undercharges on Ground orders, combined with free shipments and the close profit margins of other UPS services, brings our shipping profit into the red.
- With UPS and USPS together, the total shipping profit margin is just over 3 percent, with a total dollar profit of just over \$11,000. This is due to our high margins for USPS services. So what we lose on UPS shipping profit we make up for in USPS shipping profit.
- Most late shipments originate from the Worldwide services. All together the potential refund reaches just under \$6,000.
- The number of total orders see a year over year growth of 20 percent while it is down 4 percent month to month.
- UPS shipping revenue sees a year over year increase of 16 percent with a month to month decrease of 1.4 percent.

Overview

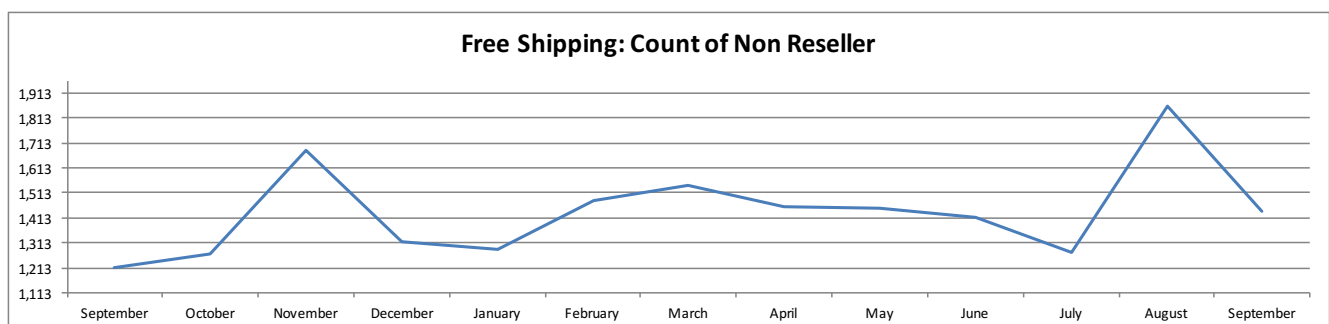




The negative dips in the UPS profit are concerning, especially in August 2016. The author is currently working with the Dev team to figure out the reasons why. Some possible reasons could be some rounding issues during the relay between us and UPS and issues with the shipping charge we quote to the customer, or the way we do free shipping may need to be reevaluated. Most of the problem seems to be within the Ground services.

Indeed the UPS profit is an issue, but taken all together, the total shipping profit (UPS and USPS) remains healthy, further illustrating that the issue lies somewhere in the UPS side of things.

As for the large dip in August 2016, the negative profit can be associated with a spike in Non Reseller Ground orders which received free shipping. See below:



The number of Ground packages nearly tripled overnight on August 29, 2016 due to the release of Adabox where free Ground shipping was offered. The total UPS charge for all Adaboxes on this date totaled \$2,800, while the total free shipping charge reached \$15,000. We just didn't make enough off of other services to cover this entire amount.

More on Negative Shipping Profit

Putting August aside and focusing on September 2016, all of the negative shipping profits originate from the Ground service:

	Ada UPS Ship Rev	UPS Ship Charge	Profit
charge_description			
Ground Commercial	24208.19	31323.330525	-7115.140525
Ground Residential	90309.55	97121.131231	-6811.581231
Residential Adjustment	22.02	38.620000	-16.600000
Ground Undeliverable Return	22.79	27.730001	-4.940001
Not Previously Billed Worldwide Expedited	29.11	29.060000	0.050000
3 Day Select Residential	10029.13	9745.710099	283.419901
3 Day Select Commercial	4952.91	4375.420049	577.489951
2nd Day Air Residential	20922.28	20225.690045	696.589955
Worldwide Express	13365.80	12642.719866	723.080134
Next Day Air Residential	11681.59	10813.770064	867.819936
2nd Day Air Commercial	12505.14	11389.020054	1116.119946
Next Day Air Commercial	14294.72	12798.060127	1496.659873
Worldwide Saver	26798.18	24319.280000	2478.900000
Worldwide Expedited	64805.56	61169.570063	3635.989937

If we zoom in on Ground we can see the Reseller to Non Reseller breakdown:

		Ada UPS Ship Rev	UPS Ship Charge	Profit
charge_description	type			
Ground Residential	Non Reseller	90309.55	96544.071233	-6234.521233
Ground Commercial	Non Reseller	24196.30	29280.750517	-5084.450517
	Reseller	11.89	2042.580008	-2030.690008
Ground Residential	Reseller	0.00	577.059998	-577.059998

And if we only look at free shipments, we have the following:

	Ada UPS Ship Rev	UPS Ship Charge	profit
type			
Non Reseller	0	13350.700093	-13350.700093
Reseller	0	2610.560006	-2610.560006

The loss from free shipments totaled \$15,960; in shipping revenue we grossed \$293,946 and paid UPS \$296,018 leaving us a loss of about \$2,000.

Charges

All charges are down month to month with the exception of Address Corrections which are up 13 percent (or up 5 instances: this is not much).

Not counting Address Corrections, service charges seem to follow the pattern of our UPS services, which is a good thing.

Free Shipping

Looking only in the Ground services (so not including military bases and the like), for Non Resellers, packages which received free shipping comprises 6.6 percent of all UPS packages, and shows a decrease of 23 percent from last month.

For Resellers, packages which receive free shipping make up about 1 percent of all UPS packages. This number shows no month to month change.

Within the Ground service, the total number of free packages for both groups combined is 1,669.