

Feb 2016 UPS Audit Report

for Account # 000071EY05

updated 3/13/2016

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Quick Note

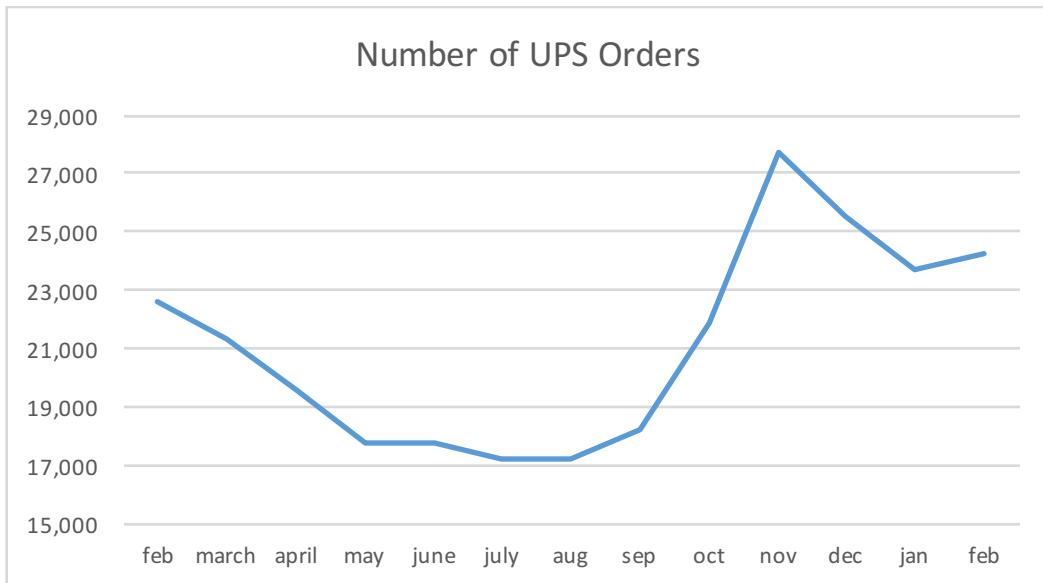
This is an audit report for our outbound shipments only which fall under Account # 000071EY05 and have orders_id not equal to 0.

Overview

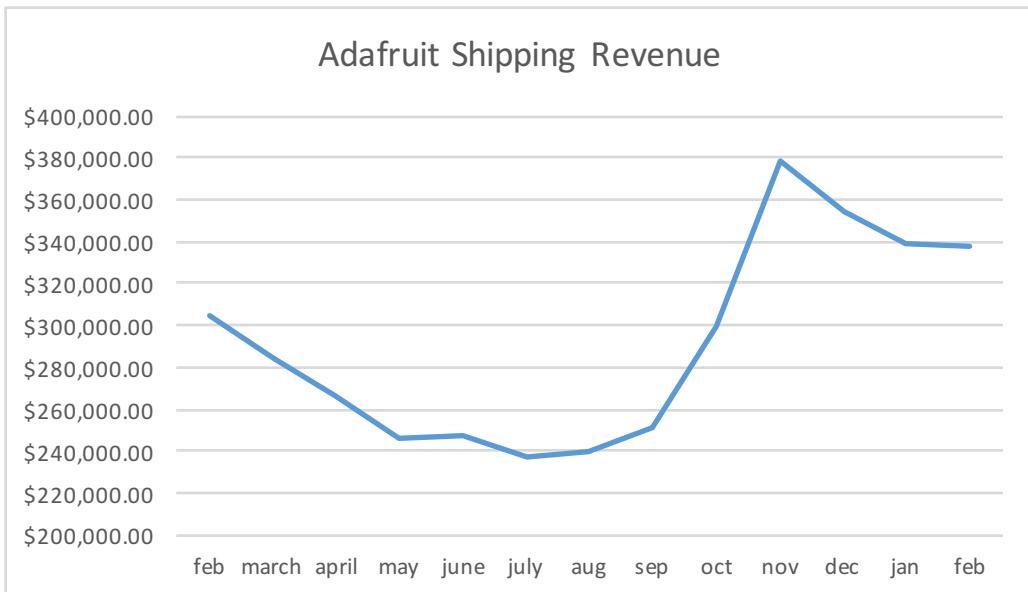
- Number of UPS orders up 2 percent, shipping revenue down 0.45 percent
- Ground makes up 60 percent of all services used, while 89 percent of orders have destinations in the United States
- California receives largest number of Ground and 2nd Day Air packages
- Canada and Norway receive the largest number of International shipments
- Highest average billed weight goes to Taiwan
- Shipping charge corrections up this month, despite decreasing for the last two months
- Address correction and residential surcharges well covered by \$0.05 order add on
- Delivery/extended/remote area surcharges under control
- All in all we are doing well managing our outbound shipping process

Quick Stats

Number of UPS Orders			
Service	Jan	Feb	% change
2nd day air	3,079	3,409	10.72%
3 day select	1,846	1,830	-0.87%
express saver	480	483	0.63%
ground	14,528	14,650	0.84%
next day air	1,446	1,675	15.84%
worldwide express	2,359	2,184	-7.42%
Grand Total	23,738	24,231	2.08%

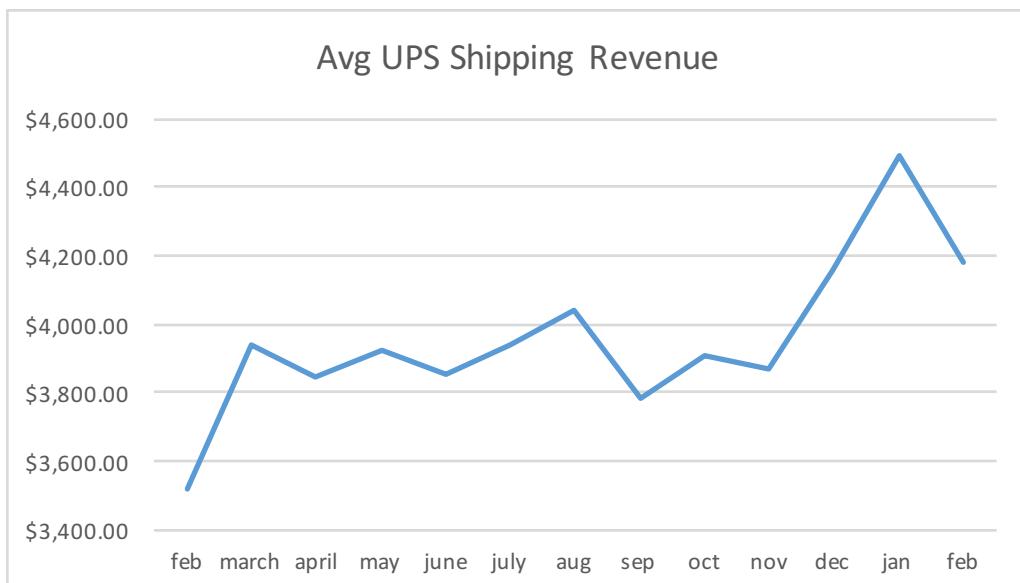


Adafruit Shipping Revenue			
Service	Jan	Feb	% change
2nd day air	\$41,308.56	\$45,297.86	9.66%
3 day select	\$22,154.88	\$21,624.65	-2.39%
express saver	\$25,079.17	\$24,845.44	-0.93%
ground	\$124,926.84	\$123,029.85	-1.52%
next day air	\$28,001.34	\$32,387.21	15.66%
worldwide express	\$97,496.28	\$90,240.93	-7.44%
Grand Total	\$338,967.07	\$337,425.94	-0.45%



Average UPS Shipping Revenue

Service	Jan	Feb	% change
2nd day air	\$417.69	\$385.61	-7.68%
3 day select	\$372.94	\$343.10	-8.00%
express saver	\$1,571.53	\$1,461.14	-7.02%
ground	\$269.29	\$245.29	-8.91%
next day air	\$595.67	\$558.08	-6.31%
worldwide express	\$1,266.26	\$1,186.33	-6.31%
Grand Total	\$4,493.38	\$4,179.55	-6.98%



Services

Services by Count

Count of Services	Jan	Feb	Percent change	Few Percentage of Category Total
Ground Residential	10,200	9,833	-3.60%	41.22%
Ground Commercial	3,790	4,539	19.76%	19.03%
2nd Day Air Residential	1,961	2,171	10.71%	9.10%
Worldwide Expedited	1,942	1,787	-7.98%	7.49%
3 Day Select Residential	1,210	1,242	2.64%	5.21%
2nd Day Air Commercial	985	1,223	24.16%	5.13%
Next Day Air Residential	730	872	19.45%	3.66%
Next Day Air Commercial	671	770	14.75%	3.23%
3 Day Select Commercial	559	597	6.80%	2.50%
Worldwide Saver	475	477	0.42%	2.00%
Worldwide Express	331	345	4.23%	1.45%
Next Day Air Residential UPS Delivery Intercept	1		-100.00%	0.00%
Grand Total	22,855	23,856	4.38%	100.00%

Ground Residential and Commercial combined make up about 60 percent of total services used. All domestic services combined contribute 89 percent to total services used, showing us that most of our orders have destinations in the United States.

The decrease in Ground Residential alongside the increase in Ground Commercial is curious, since Reseller and Super Reseller orders using this service actually decreased since January.

We discover that the number of non-Resellers using Ground Commercial increased 15 percent, while Resellers and Super Resellers using Ground Commercial actually decreased 11 percent. We know that UPS decides when an address is residential vs commercial, and then charges a residential fee if the address was designated first as commercial, but is really residential.

The actual number of outstanding residential fees decreased 13 percent since January, so this does not seem to be some kind of gimmick on UPS' part, but we should keep an eye on this anyhow.

The top three destination states using Ground during February are below:

Top Three Destination States Using Ground			
State	Number of Packages	Percentage of Ground	Percentage of Total Shipments
California	1,135	7.90%	4.76%
Texas	671	4.67%	2.81%
New York	650	4.52%	2.72%

2nd Day Air is our next most used service and delivers to the contiguous United States. We see a similar occurrence as with Ground where there was a 12 percent increase in the number of non-Resellers using Commercial when the number of Resellers and Super Resellers actually stayed the same. We see that the number of 2nd Day Air Commercial orders increased by 24 percent.

Top three destination states using 2nd Day Air during February are below:

Top Three Destination States Using 2nd Day Air			
State	Number of Packages	Percentage of 2nd Day Air	Percentage of Total Shipments
California	793	23.36%	3.32%
Texas	176	5.19%	0.74%
Florida	127	3.74%	0.53%

The Worldwide services combined only make up 11 percent of total orders, but they are some of the most expensive services for us since we receive a DIM divisor which is much less than what we receive for domestic services. Because of this fact, this category is worth noting.

Top three destination countries using any one of three Worldwide options are below:

Top Three Destination Countries Using any one of the three Worldwide services			
State	Number of Packages	Percentage of Total Worldwide	Percentage of Total Shipments
Canada	403	15.45%	1.69%
Norway	293	11.23%	1.69%
Australia	114	4.37%	0.48%

Services by UPS Dollar Charge

UPS Charge	Jan	Feb	Percent Change	Fen Percentage of Category Total
Ground Residential	\$71,330.75	\$68,655.50	-3.75%	25.42%
Ground Commercial	\$26,896.70	\$32,221.06	19.80%	11.93%
2nd Day Air Residential	\$19,411.94	\$21,596.19	11.25%	8.00%
Worldwide Expedited	\$65,659.98	\$58,905.63	-10.29%	21.81%
3 Day Select Residential	\$10,231.05	\$10,493.29	2.56%	3.89%
2nd Day Air Commercial	\$10,034.19	\$12,431.17	23.89%	4.60%
Next Day Air Residential	\$10,895.55	\$13,007.02	19.38%	4.82%
Next Day Air Commercial	\$10,914.42	\$12,514.54	14.66%	4.63%
3 Day Select Commercial	\$4,845.18	\$5,134.81	5.98%	1.90%
Worldwide Saver	\$20,348.39	\$20,861.41	2.52%	7.72%
Worldwide Express	\$12,698.08	\$14,242.79	12.16%	5.27%
Next Day Air Residential UPS Delivery Intercept	\$18.83		-100.00%	0.00%
Grand Total	\$263,285.06	\$270,063.41	2.57%	100.00%

It is natural to see an increase in the amount that UPS charges us per service alongside an increase in the number of packages sent using that service, and most of the UPS dollar charge increases are roughly one to one with the number of packages: as one rises one point, so does the other.

That is, except for Worldwide Saver and Worldwide Express. Here is an interesting table:

Service	Feb Change in Number of Packages	Feb Change in UPS Dollar amount
Worldwide Saver	0.42%	2.52%
Worldwide Express	4.23%	12.16%

We see that a small increase in the number of packages sent using either of these services yields a large increase in the amount UPS charges us (this is UPS' net charge after incentives have been deducted). This just goes to show how expensive these worldwide services can

become, due in part to the smaller DIM divisor we receive for international shipments. This is elaborated upon in the next section.

Services by Billed Weight (lbs.)

UPS Charge	Jan	Feb	Percent Change	Fcn Percentage of Category Total
Ground Residential	15,990	15,436	-3.46%	32.93%
Ground Commercial	9,617	11,228	16.75%	23.95%
Worldwide Expedited	6,501	5,361	-17.54%	11.44%
2nd Day Air Residential	2,723	3,009	10.50%	6.42%
Worldwide Saver	2,586	2,712	4.87%	5.78%
2nd Day Air Commercial	1,493	1,964	31.55%	4.19%
3 Day Select Residential	1,701	1,709	0.47%	3.65%
Worldwide Express	1,300	1,620	24.62%	3.46%
Next Day Air Commercial	1,338	1,558	16.44%	3.32%
Next Day Air Residential	1,127	1,342	19.08%	2.86%
3 Day Select Commercial	929	943	1.51%	2.01%
Next Day Air Residential UPS Delivery Intercept	1		-100.00%	0.00%
Grand Total	45,306	46,882	3.48%	100.00%

We can begin to parse out the connection between billed weight and the count of certain services. Since we receive a smaller DIM divisor for international shipments than we do for domestic shipments, fewer heavier shipments being shipped internationally could be more expensive than a greater number of lighter shipments.

Here are some comparisons between international shipments:

Worldwide Expedited:

The count is down 8 percent, the UPS dollar charge is down 10 percent, and the billed weight is down 17.5 percent.

Worldwide Express:

The count is up 4 percent, the UPS dollar charge is up 12 percent, and the billed weight is up 24.6 percent.

Worldwide Saver:

The count is up 0.4 percent, the UPS dollar charge is up 2.5 percent, and the billed weight is up almost 5 percent.

Since the bill weight determines the UPS dollar charge, it would make sense that services like international, which have a smaller DIM divisor, would experience a large increase in cost for every large increase in bill weight.

For contrast let's look at some domestic services:

2nd Day Air Commercial:

The count is up 24 percent, the UPS dollar charge is up 24 percent, and the billed weight is up 31.5 percent.

Ground Residential:

The count is down 3.6 percent, the UPS dollar charge is down 3.7 percent, and the billed weight is down 3.5 percent.

Already we can see that the movements between billed weight, UPS dollar charge, and the count of a domestic service are more closely related than in international shipments.

Just for curiosity's sake, here are the top ten countries by highest average billed weight:

Top Ten Countries by Highest Average Billed Weight	
Country	Average Billed Weight
Taiwan	6.0000
Colombia	5.4000
Luxembourg	4.9615
Hungary	4.4545
Bolivia	3.5000
United Arab Emirates	3.2000
South Korea	2.9384
Argentina	2.8421
Lithuania	2.7500
United Kingdom	2.6140

Returns and Reroutes

Returns and reroutes were nominal this month.

Shipping Charge Corrections

Shipping Charge Corrections by Count

Shipping Charge Corrections	Jan	Feb	Percent Change	Fen Percentage of Category Total
Shipping Charge Correction Ground	437	436	-0.23%	19.68%
Shipping Charge Correction 2nd Day Air	190	295	55.26%	13.32%
Shipping Charge Correction Next Day Air	143	203	41.96%	9.16%
Shipping Charge Correction 3 Day Select	131	177	35.11%	7.99%
Shipping Charge Correction Expedited	32	22	-31.25%	0.99%
Shipping Charge Correction Worldwide Saver	2	1	-50.00%	0.05%
Shipping Charge Correction Express	4	1	-75.00%	0.05%
Grand Total	1,841	2,215	20.32%	100.00%

These charges occur when we tell UPS that a package is a certain weight, and they discover that it is more. They then charge us the difference on top of the originally charged amount that was based on our originally declared weight.

These totals have been up and down for the last couple of months. Changes in total number of shipping charge corrections for the past several months are:

November to December: down 21 percent

December to January: down 32 percent

January to February: up 20 percent

Indeed, the number of non-Resellers who received a shipping charge correction rose 13 percent this month while the number of Resellers and Super Resellers combined who received a shipping charge correction decreased 16.5 percent.

Shipping Charge Corrections by UPS Dollar Charge

Shipping Charge Corrections	Jan	Feb	Percent Change	Fen Percentage of Category Total
Shipping Charge Correction 2nd Day Air	\$390.49	\$686.43	75.79%	30.78%
Shipping Charge Correction Next Day Air	\$383.41	\$585.58	52.73%	26.26%
Shipping Charge Correction Ground	\$470.55	\$478.15	1.62%	21.44%
Shipping Charge Correction 3 Day Select	\$256.85	\$297.48	15.82%	13.34%
Shipping Charge Correction Expedited	\$161.78	\$92.57	-42.78%	4.15%
Shipping Charge Correction Fuel Surcharge	\$76.86	\$74.35	-3.27%	3.33%
Shipping Charge Correction Worldwide Saver	\$6.50	\$13.81	112.46%	0.62%
Shipping Charge Correction Express	\$19.09	\$1.93	-89.89%	0.09%
Grand Total	\$1,765.53	\$2,230.30	26.32%	100.00%

It may be worth focusing more attention on Ground and 2nd Day Air shipments, since shipping charge correction fees applied to Ground constitute 20 percent of the total number charged, and those applied to 2nd Day Air make up 30 percent of the total dollar charge.

Shipping Charge Corrections by Outstanding Billed Weight (lbs.)

Shipping Charge Corrections	Jan Outstanding Billed Weight	Feb Outstanding Billed Weight	Percentage Change	Feb percentage of total Outstanding Billed Weight
Shipping Charge Correction 2nd Day Air	293	488	66.55%	15.82%
Shipping Charge Correction 3 Day Select	258	289	12.02%	9.37%
Shipping Charge Correction Expedited	93	56	-39.78%	1.82%
Shipping Charge Correction Express	8	1	-87.50%	0.03%
Shipping Charge Correction Ground	1,650	1,869	13.27%	60.60%
Shipping Charge Correction Next Day Air	248	377	52.02%	12.22%
Shipping Charge Correction Worldwide Saver	6	4	-33.33%	0.13%
Grand Total	2,556	3,084	20.66%	100.00%

Outstanding billed weight is the difference between the billed weight and the entered weight which UPS has calculated under the shipping charge correction surcharge. If we say Package A has a bill weight 5 lbs., UPS charges us that bill weight during our shipping process.

If at their shipping facility they discover that the package really has a bill weight of 8 lbs., they designate the previous 5 lbs. as entered weight and rename the billed weight to 8 lbs. under the shipping charge correction fee. So 8 lbs. (minus) 5 lbs. would be 3 lbs. outstanding billed weight, or billed weight which we did not account for in the customer shipping price.

Tallying these outstanding billed weights gives us a sense of how much billed weight we are not factoring into the customer shipping price.

Despite the 20 percent increase in outstanding billed weight, this is actually the first month since December that we have seen an increase. In December it was down 21 percent, and in January it was down another 32 percent.

Address Correction and Residential Surcharges

Address Correction and Residential Surcharge by Count

Add/Res Surcharges	Jan	Feb	Percentage Change	Fen Percentage of Category Total
Residential Surcharge	14,428	14,466	0.26%	99.51%
Address Correction Ground	31	36	16.13%	0.25%
Address Correction Expedited	26	12	-53.85%	0.08%
Address Correction 2nd Day Air	5	7	40.00%	0.05%
Address Correction Next Day Air		5		0.03%
Address Correction 3 Day Select	8	4	-50.00%	0.03%
Residential Adjustment	2	3	50.00%	0.02%
Address Correction Worldwide Saver	3	3	0.00%	0.02%
Address Correction Express	6	1	-83.33%	0.01%
Grand Total	14,509	14,537	0.19%	100.00%

Address correction surcharges seem to be under control, and although the residential surcharges appear unwieldy, they are actually not as bad as they may seem.

We managed to factor most of these residential charges and address corrections into our customer shipping prices. The number of outstanding surcharges is in the following table:

Count	Jan	Feb	Percentage Change	Fen Percentage of Category Total
Residential	68	77	13.24%	0.53%
Address	77	50	-35.06%	0.34%

Address Correction and Residential Surcharge by UPS Dollar Charge

Add/Res Surcharges	Jan UPS Charge	Jan Incentive Amount	Jan Net Charge	Feb UPS Charge	Feb Incentive Amount	Feb Net Charge
Residential Surcharge	\$33,106.72	\$15,475.48	\$17,631.24	\$33,442.05	\$15,425.65	\$18,016.40
Address Correction Ground	\$402.00	\$0.00	\$402.00	\$468.00	\$0.00	\$468.00
Address Correction Expedited	\$336.50	\$0.00	\$336.50	\$156.00	\$0.00	\$156.00
Address Correction 2nd Day Air	\$65.00	\$0.00	\$65.00	\$91.00	\$0.00	\$91.00
Address Correction Next Day Air			\$0.00	\$65.00	\$0.00	\$65.00
Address Correction 3 Day Select	\$104.00	\$0.00	\$104.00	\$52.00	\$0.00	\$52.00
Address Correction Worldwide Saver	\$39.00	\$0.00	\$39.00	\$39.00	\$0.00	\$39.00
Address Correction Express	\$78.00	\$0.00	\$78.00	\$13.00	\$0.00	\$13.00
Residential Adjustment	\$5.72	\$0.00	\$5.72	\$7.86	\$0.00	\$7.86
Grand Total	\$34,136.94	\$15,475.48	\$18,661.46	\$34,333.91	\$15,425.65	\$18,908.26

The residential surcharges and address corrections outstanding amount to a total of \$837, meaning this amount was not absorbed by customer shipping prices. But thanks to our \$0.05 add-on per order (at 27,722 orders), we gained \$1,386. This amount (minus) the outstanding fees leaves us with a small profit of \$549.

Delivery/Extended/Remote Area Surcharges

Delivery/Extended/Remote Area Surcharges by Count

Surcharges	Jan	Feb	Percentage Change	Fen Percentage of Category Total
Delivery Area Surcharge	1,232	1,235	0.24%	44.93%
Delivery Area Surcharge - Extended	889	980	10.24%	35.65%
Delivery Confirmation Signature	459	482	5.01%	17.53%
Extended Area Surcharge	53	40	-24.53%	1.46%
Remote Area Surcharge	9	11	22.22%	0.40%
Remote Area Surcharge-Extended		1		0.04%
Grand Total	2,642	2,749	4.05%	100.00%

Despite these high numbers, this table should not cause alarm since we were able to roll most of these charges into the customer shipping charge.

The delivery confirmation signature surcharge is the only surcharge from the table above for which we receive an incentive. Not including orders which received free shipping, out of the 482 charges during February, only 16 were not absorbed by customer shipping charges, or 3 percent.

Out of the total delivery, area, extended, and remote surcharges (2,267 total), only 43 were not absorbed by customer shipping charges (or 1.9 percent).

All in all we are doing well with controlling these charges.

Other Surcharges

Other Surcharges by Count

Other Surcharges	Jan	Feb	Percentage Change	Feb Percentage of Total
Fuel Surcharge	22,856	23,858	4.38%	99.88%
Electronic Export Information Fee	39	27	-30.77%	0.11%
Certificate of Origin Preparation Fee	1	2	100.00%	0.01%
Grand Total	22,896	23,887	4.33%	100.00%

Other Surcharges by UPS Dollar Charge

Other Surcharges	Jan	Feb	Percentage Change	Feb Percentage of Total
Fuel Surcharge	\$14,251.13	\$11,908.09	-16.44%	97.62%
Electronic Export Information Fee	\$390.00	\$270.00	-30.77%	2.21%
Certificate of Origin Preparation Fee	\$10.00	\$20.00	100.00%	0.16%
Grand Total	\$14,651.13	\$12,198.09	-16.74%	100.00%

The fuel surcharge is covered by the customer shipping charge, and most other fees experienced a percentage decrease from the previous month, so we are doing well with these miscellaneous charges.