

**The City College of  
New York**



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## **FOURTH PHASE OF TEAM PROJECT: Business Level Strategy**



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Topic No#	<b><u>Table of Content</u></b>	Page No#
1.	Cover Page	1
2.	Table Of Content	2
3.	Assignment Instruction	3
4.	Business Level Strategy	4-10
5.	Competitive Scope & Strategic Position	11-19
6.	Comparison Of UPS With Its Competitors	20-23
7.	The Unique Value Of Drivers & Low-Cost Drivers	25-26
8.	References	27-29

## **Assignment Instructions**

- 1) What is the business-level strategy of the company that you selected? If the corporation has multiple SBUs, answer this question and the following questions for each SBU separately.
- 2) Explain the competitive scope and strategic position of the company you selected. (see slides 11 to 17 in chapter 6 presentation)
- 3) Compare the selected company with a few of its competitors in terms of strategic positioning and competitive scope. Support your answer with stats.
- 4) What are the unique value drivers and low cost drivers of the company that you selected? (see slides 21 and 25 in chapter 6 presentation)

## **Part 1: Business Level Strategy**

UPS strives for a differentiation generic business strategy, putting their customers first aiming to create higher value than their competitors. UPS uses segmentation as part of their strategy to provide quality value of products & services to their customers. UPS organizes their corporation into 7 of the following different SBU's.

### ***UPS's Strategic Business Units [SBU's]***

#### **1- Package Reporting:**

UPS provides complete tracking information and delivery confirmation to allow consumers to be satisfied with the service but also confident that their package will reach its destination. Unfortunately, packages tend to get delayed or even get lost within transit, but UPS can offer a full refund as long as the customer files a claim.

After waiting 24 hours when the package was estimated to deliver, customers can visit the UPS website, complete the steps on filing a missing package claim, and even track their claim. The customer will then receive updates regularly on its status via their preferred communication method (UPS login, texts, emails, etc.)

#### **2- Customs Brokerage:**

UPS has been on the front lines of customs brokerage for more than 80 years and continues today to aid firms open new markets. They have about 400 brokerage offices in 40 different countries and serve about 50,000 small and mid-market companies. UPS is known to inform and offer services, lead compliance policy, support public affairs, and represent the trade community's best interests.

These services include customs clearance, standardized processing across multiple models, document imaging, EDI solutions, assistance with global regulatory

compliance, export filing, and even more. UPS also helps to manage process, product classification, import/export licenses, post-entries review, brokers/forwarders, data, and denied-party screenings, etc.

### **3- Supply Chain Solutions:**

UPS provides shipping and logistics experts to help consumers choose their best options, but they also step out of the boundaries of just courier questions. They offer methods to manage suppliers, navigate customers, mitigate risk, 3D printing, mail innovation, improve cash flow, etc.

Their expertise on supply chains is continuously growing to help businesses progress. They work closely with people, companies, and firms to save time and money with the use of their network of distribution centers, innovative technology, and logistics to manage the flow of goods from receiving, storage or ordering shipments.

The UPS website provides the means for success with their visuals, articles, videos, advice, customer service, quotes, and experts to get a better understanding of how to maximize profits and continue the growth of the supply chain. As the customers' expectations change constantly, the complexity of the supply chain increases. However, UPS continues to excel in their ability to provide solutions and keep the consumers satisfied.

### **4- Distribution Services:**

UPS prides itself on their ability to manage growth, improve customer service and continue to incorporate new technology while keeping cost and complexity low. They have over 250 distribution facilities worldwide, over 25 million+ ft<sup>2</sup> distribution and warehousing space, 7 million+ ft<sup>2</sup> healthcare-compliant distribution space, and 75 healthcare facilities.

On an inbound scale, UPS helps to transport and receive goods while practicing fast speed, compliance, and cost. They will receive products, create storage, and can be trusted to integrate transportation management. On an outbound scale, as the orders come in, the goods need to go out. UPS believes they need to go out, yes, but in a fast and timely manner. They can be reliable for multi-channel fulfillment, order receipt, picking/replenishing, and outbound transportation management. Global distribution helps to improve inventory management and efficiency.

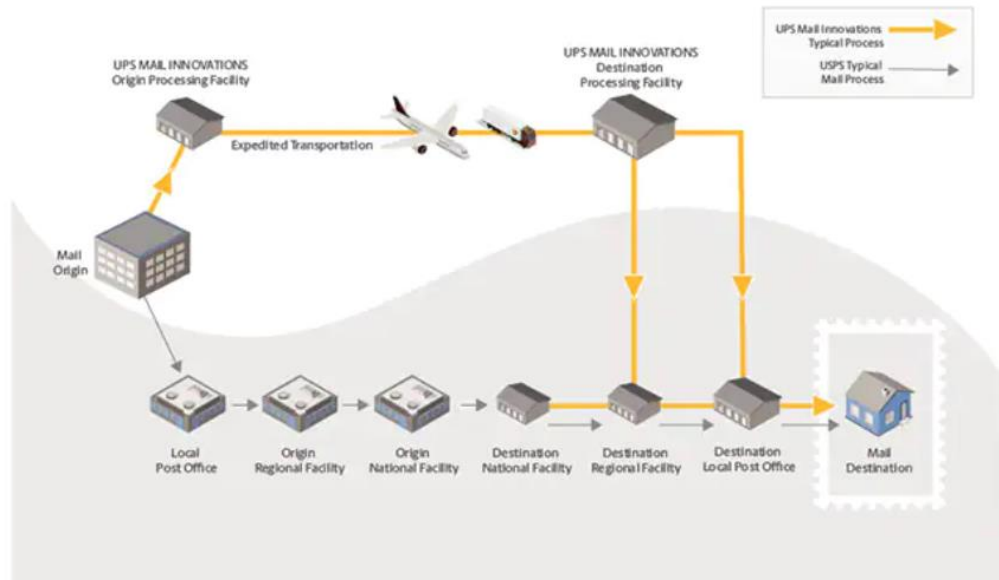
Customers can contact experts who deal with inventory control and visibility, climate and temperature-controlled environments, data and physical security, reporting, measurement, and compliance, and foreign trading zones within the U.S. Even in the means of a return, UPS wants to ensure that customers keep returning by providing returns receipts, detailed screenings, return to stock and vendor, and holding for the customer.

## **5- UPS Mail Innovations:**

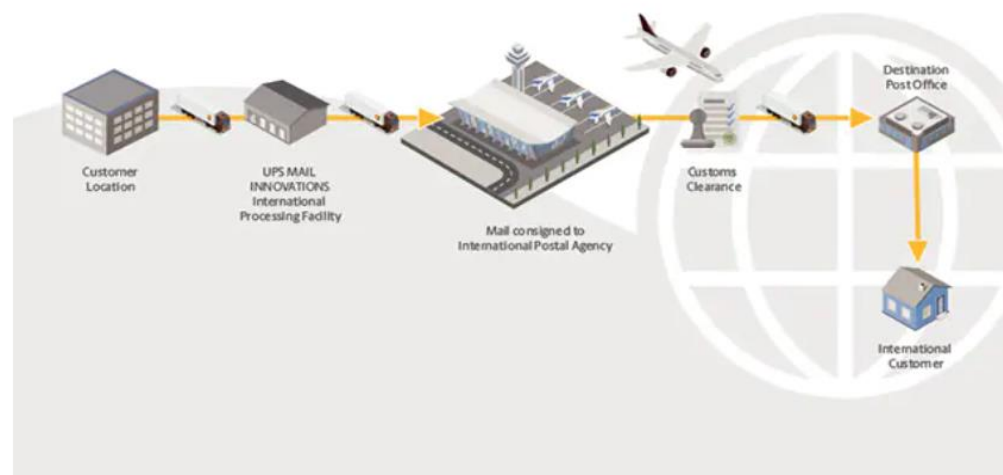
UPS offers mailing solutions which require less preparation time, consistent transit time, reliable delivery system, and cost-effective postal rates to both national and international locations. There is the option for returning customers to login through ARTS for an efficient report.

They can also track domestic mail shipments up to 25 at once and get a free mailing quote for a firm. The infrastructure, systems, technology, and transportation create a steadfast mailing cycle. Whether it's a domestic, international or returns, with the cost and performance improvements, UPS can integrate postal systems for all distances.

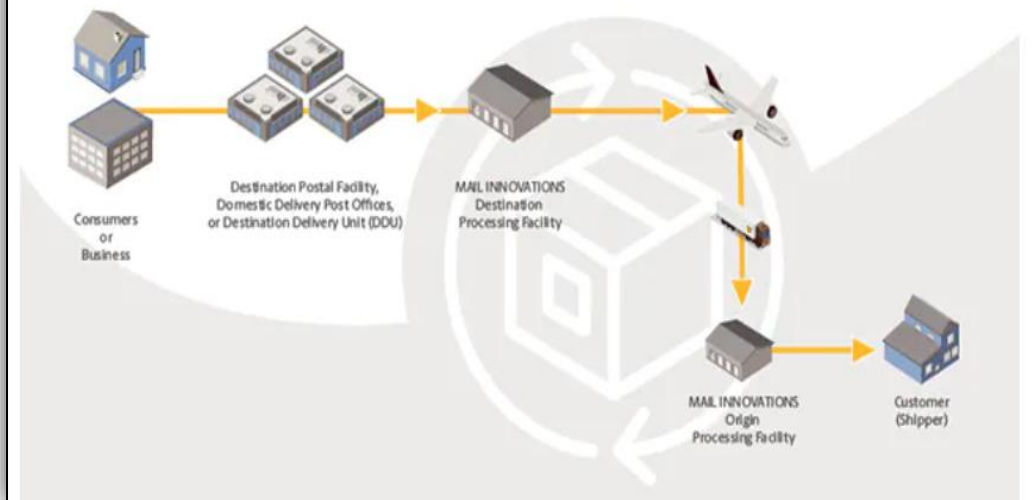
## Domestic Mail Services



## International Mail Services



## Returns Mail Services







## 6- UPS Freight:

UPS is known for their delivery of small packages but on a grand scale, UPS can move larger products on pallets and in containers across the world. This is a great way for businesses to expand into international markets. UPS provides many different options for freight: International Air Freight, North American Air Freight, Ocean Freight, Multimodal Freight, Ground Freight, and Urgent Services Freight. UPS aids to streamline businesses by consolidating multiple packages at the origin, clearing customs to save time and reduce risk, and bypassing distribution center to go straight for delivery. The website allows you to see where it can be shipped to, the cost, and the difference of transportation services.







## Compare North American Air Freight Shipping Options

We've made it easy to choose the right option for your business.

Option	Service Level	Speed	Reach	Cargo Type
 UPS Express Critical®	Next flight out	Fastest	U.S., Canada and Puerto Rico	Ideal for >150 pounds, palletized or non-palletized
 UPS Next Day Air® Freight	Guaranteed & non-guaranteed	Next day	U.S., Canada and Puerto Rico	Ideal for >150 pounds, palletized or non-palletized
 UPS 2nd Day Air® Freight	Guaranteed & non-guaranteed	2 days	U.S., Canada and Puerto Rico	Ideal for >150 pounds, palletized or non-palletized
 UPS 3 Day Freight™	Guaranteed & non-guaranteed	3-4 days	U.S., Canada and Puerto Rico	Ideal for >150 pounds, palletized or non-palletized

## Compare International Air Freight Shipping Options

If you're sending it air freight, it's likely very important and time-critical. Compare the options below and let us help you choose the right service level at the best price to meet your unique needs.

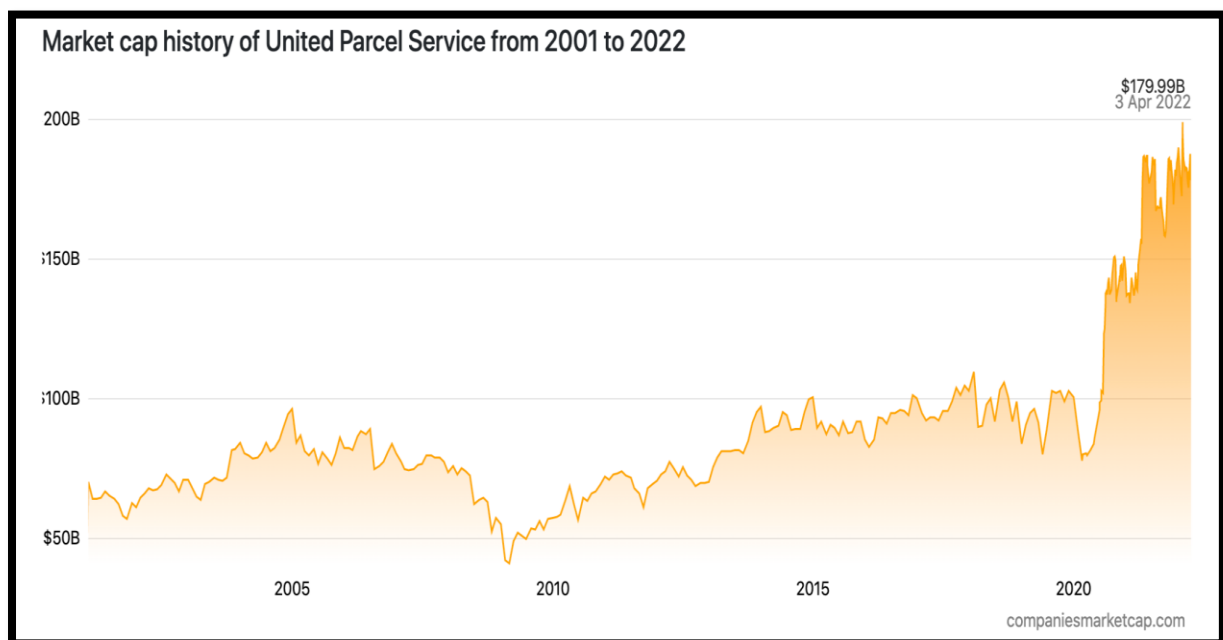
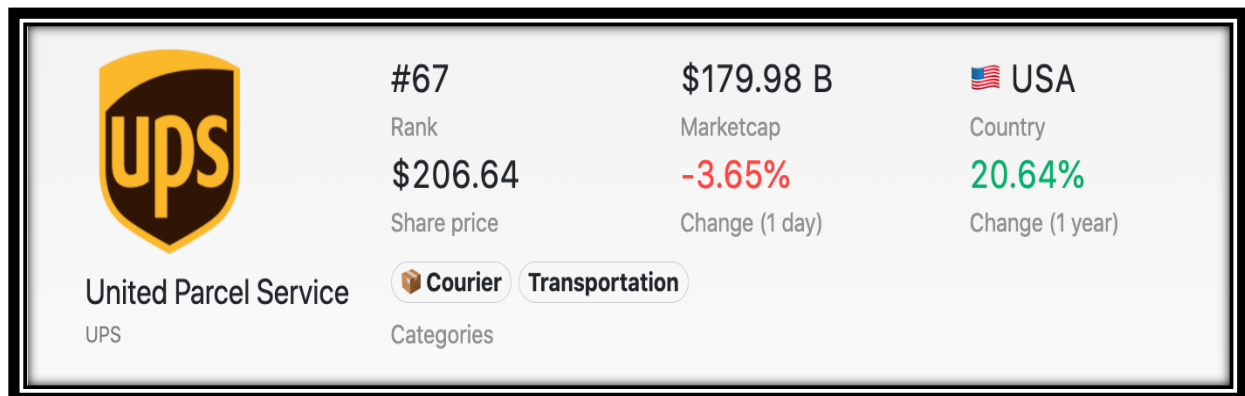
Option	Service Level	Speed	Reach	Cargo Type	Options
 UPS Express Critical	Next flight out	Fastest	North America and major cities worldwide	150 lbs., palletized or non-palletized	N/A
 UPS® Air Freight Premium Direct	Door-to-door, port-to-port	1-3 Business Days	55 countries and territories worldwide	150 lbs., palletized or non-palletized	Pickup, delivery and customs clearance included. Service not guaranteed.
 UPS Air Freight Direct®	Day-specific, port-to-port	1-3 Business Days	North America and major cities worldwide	150 lbs., palletized or non-palletized	Pickup, delivery and customs clearance optional. Service not guaranteed.
 UPS Air Freight Consolidated®	Day-specific, port-to-port	3-5 Business Days	North America and major cities worldwide	150 lbs., palletized or non-palletized	Pickup, delivery and customs clearance optional. Service not guaranteed.

## **7- UPS Capital:**

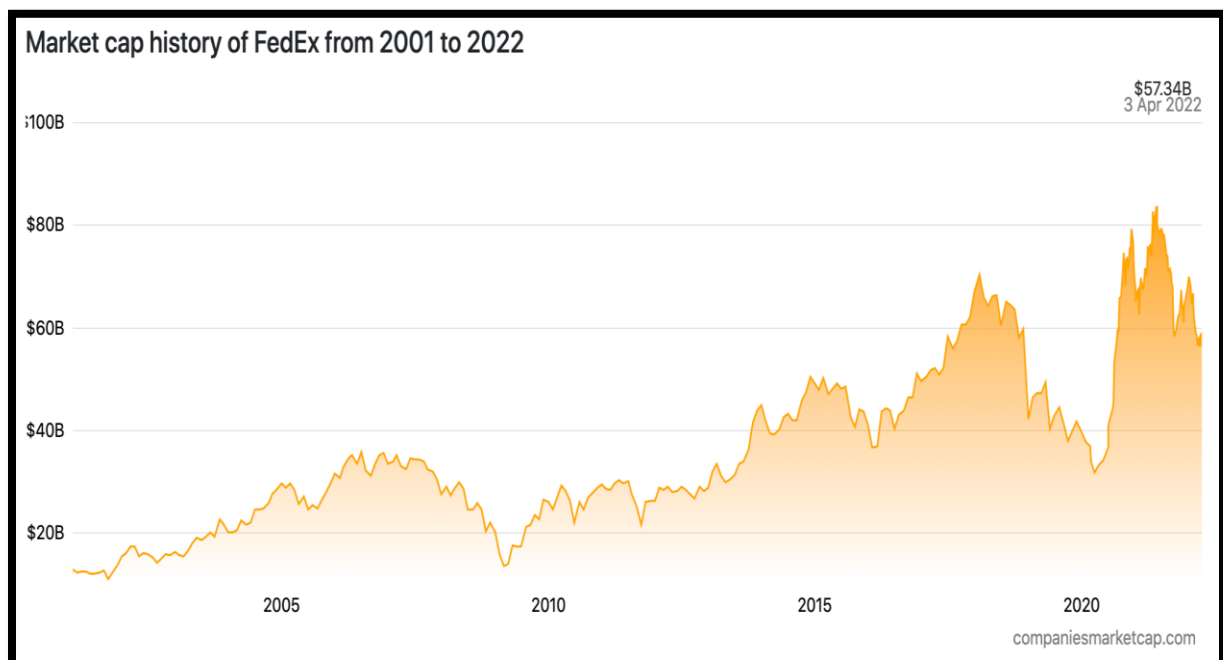
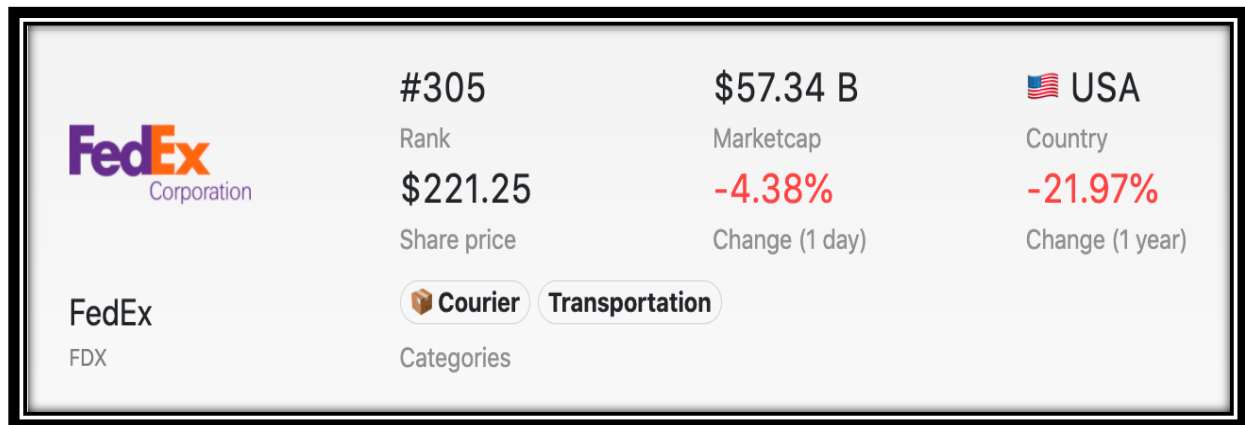
UPS offers a shipping insurance and gives businesses their time back with the use of InsureShield. There are 330,000 claims paid annually, most of them are paid back within 4 days or less. UPS has an annual declared value of \$252 billion and about 450,000 shippers have been protected by InsureShield. With the UPS InsureShield shipping insurance, customers can get reimbursed for damages and expedited re-shipping expenses. Customers can even insure e-commerce shipments and manage their claims within the 24/7 portal.

## Part 2: Competitive Scope & Strategic Position

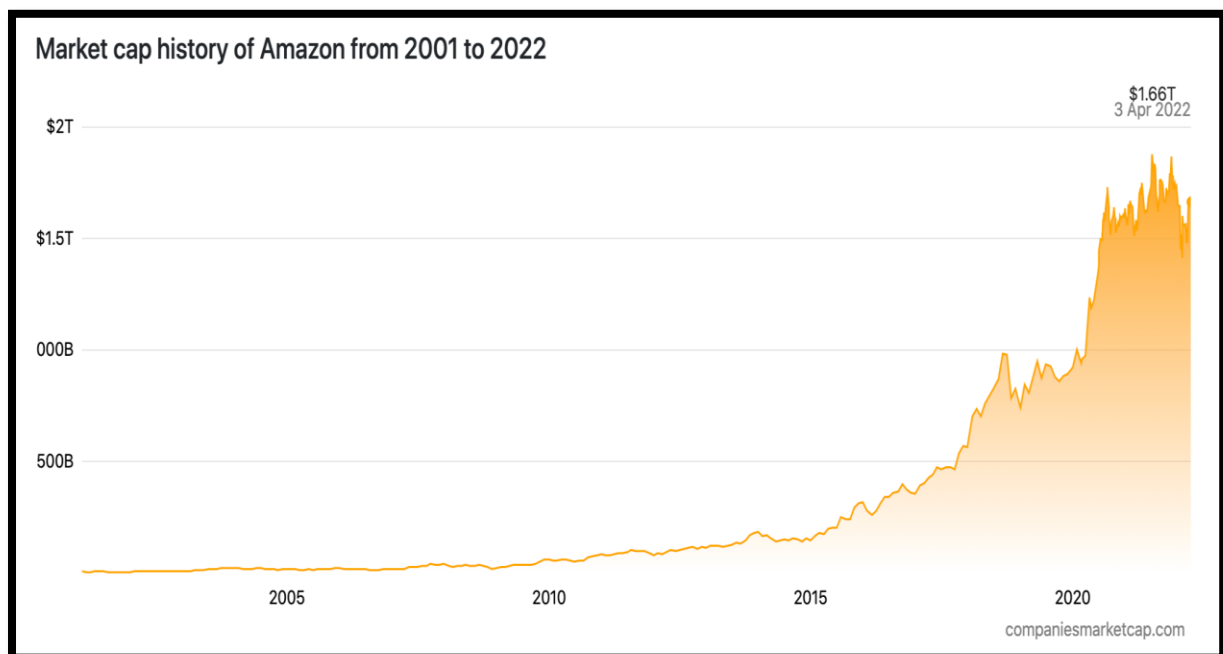
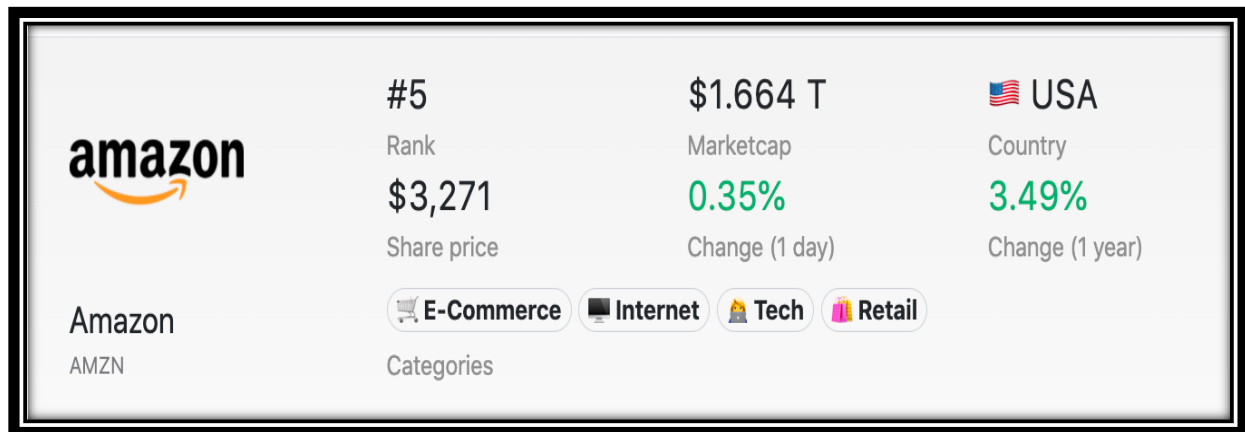
### #1 UPS:



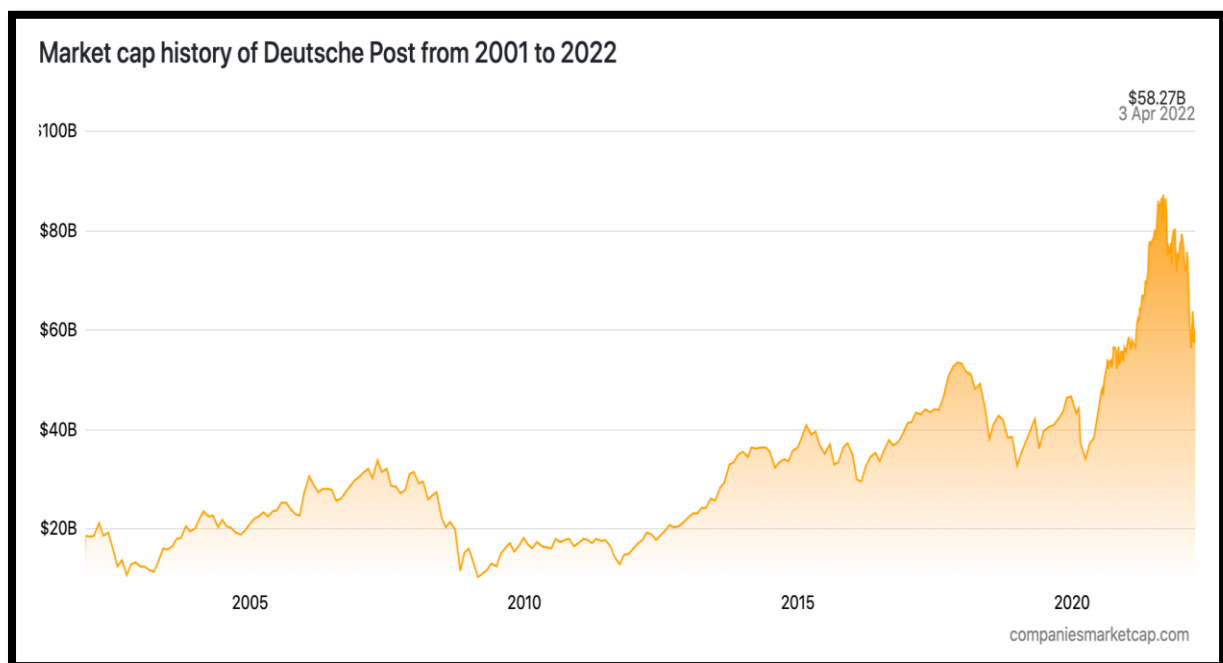
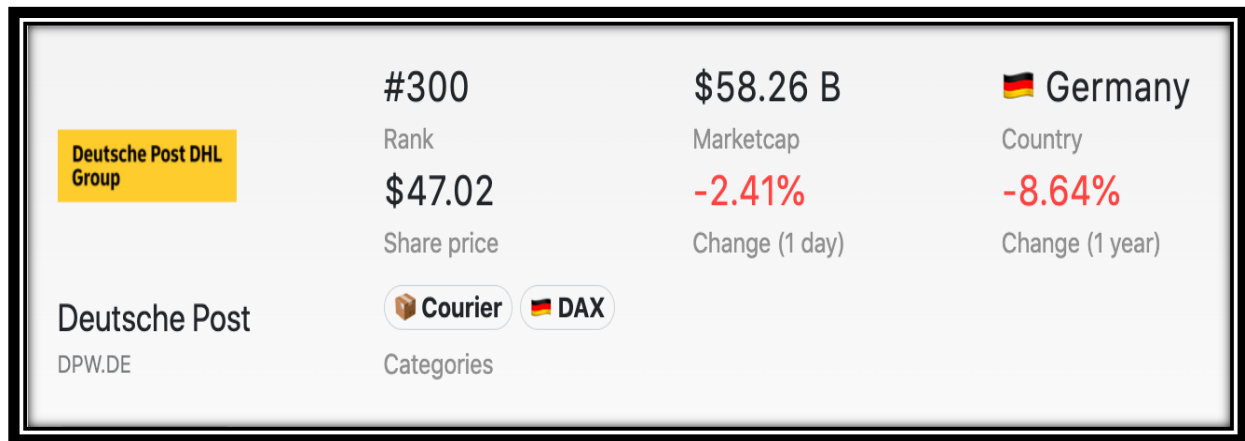
## #2 FedEx:

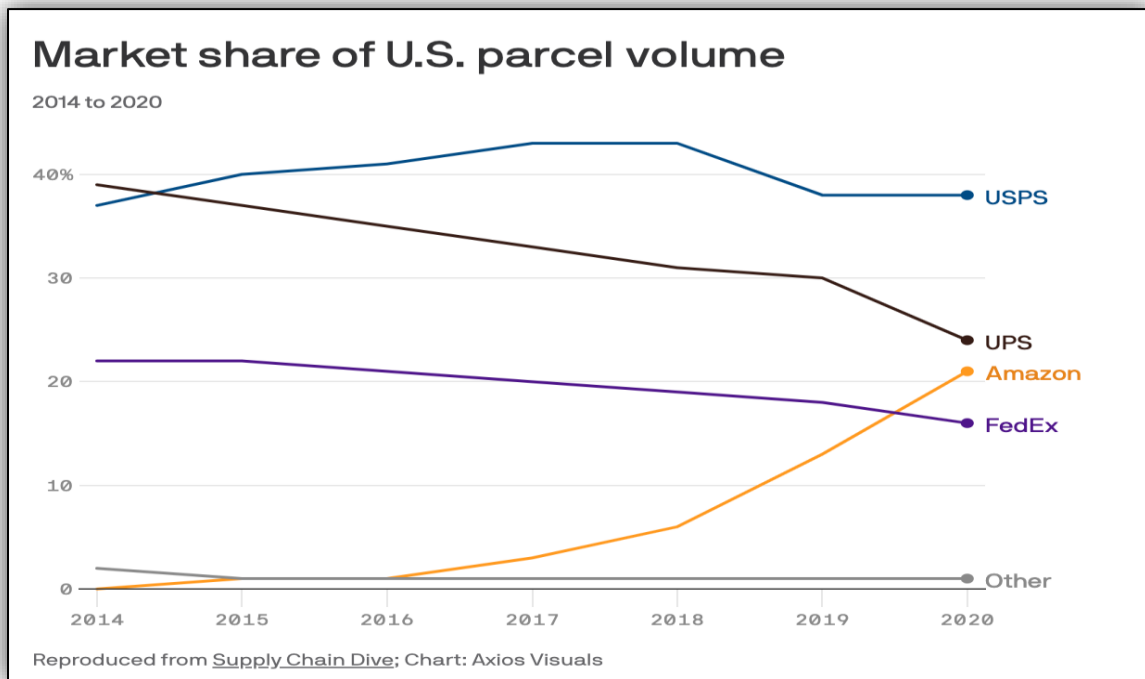


## #3 Amazon:



## #4 DHL:





Market capitalization, market cap, is the total market value of a company's shares and is used to measure how much a company is worth. It displays a company's value on the open market and can predict its future prospects. As shown in the first images above, as of April 2022, UPS has a market cap of about \$179.98 billion making it the 67<sup>th</sup> most valuable company. FedEx has the market cap of about \$57.34 billion which makes it the world's 305<sup>th</sup> most valuable company.

Amazon has a market cap of about \$1.664 trillion making it the 5<sup>th</sup> most valuable in the world. While it seems as though Amazon is the most valuable courier service due to its wide range of retail departments, Amazon ships 21% of the packages within the U.S. while UPS ships 24%. UPS and FedEx even have large cargo planes that outpace Amazon's aircraft.

UPS also has services for firms from a range of industries whether its healthcare or automotive manufacturing. Deutsche Post, a German company with a division and subsidiary of DHL, has a market cap of \$58.26 billion which makes it the world's 300<sup>th</sup> most valuable

company. As for USPS, it isn't a public traded company, so its market cap is unavailable. However, in 2020, its quarterly sales of \$17.8B topped FedEx's quarterly sales of \$17.5B. UPS topped both with a quarterly sale of \$18B. As of now, USPS decreased their progression with a 1.5B loss from the quarter before having a total revenue of \$21.3B for the first quarter.

## UPS Stats:

Key Data	
PREVIOUS CLOSE	214.46
OPEN	214.90
DAY'S RANGE	203.72 x 215.21
VOLUME	3,993,556
52 WEEK RANGE	171.11 x 233.72
MARKET CAP	\$180B
P/E RATIO (TTM)	14.08
FORWARD P/E	16.04
DILUTED EPS (TTM)	14.68
DIVIDENDS PER SHARE	4.08
DIVIDEND YIELD	2.94%
EX-DIVIDEND DATE	Feb 18, 2022

Profitability Metrics	
GROSS MARGIN (TTM)	27.62%
OPERATING MARGIN (TTM)	16.72%
NET MARGIN (TTM)	13.25%
RETURN ON ASSETS (TTM)	15.43%
RETURN ON EQUITY (TTM)	172.58%

Revenue and Earnings Metrics	
REVENUE (TTM)	\$97.29B
REVENUE PER SHARE (TTM)	111.31
REVENUE GROWTH (Y/O/Y)	14.96%
EBITDA (TTM)	\$19.22B
EBITDA GROWTH (Y/O/Y)	300.94%
DILUTED EPS (TTM)	14.68
DILUTED EPS GROWTH (Y/O/Y)	853.25





UPS does a great job with their cost/pricing and continues to work on their value annually. To maximize, UPS participates in strategic trade-off to improve their economic value creation and progress their profit margin. As of December 31, 2021, based on the graph above, UPS had a quarterly gross profit margin of 22.72% and within the last two years, it has continued to increase as business has picked up since the pandemic.

		Cost	Differentiation
Focus	Industry-wide	Lowest cost across the industry	Better product/service across the industry
	Focus	Lowest cost within an industry segment	Better product/service within an industry segment

## Differentiation:

UPS utilizes differentiation to build a competitive advantage against its competitors. It expands its customer base or target market through its vast and unique services and innovation. UPS undergoes changes as they observe and survey their consumers by changing its product line to differentiate itself from its competitors. They provide packing services, great prices, many locations, different facilities, job opportunities, etc. that its competitors lack.

UPS finds a way to improve and offer its products and services from the available alternatives. It is an experienced firm, with a strong presence on a domestic and international stance and does not fold from the pressures of its neighboring courier companies. They heavily invest in marketing, advertisement, branding, and sales to continue its succession rates.

The brand's logo is even used as differentiation as its simple, yet distinctive logo has been through a few revisions, the core and essence has remained the same where consumers will always recognize UPS from its competitors. Rather than solely focusing on price, UPS credits itself on its heavy reliance for its services. Customers can pack and ship their packages to anywhere for an affordable cost. With its new technology, UPS is able to delivery packages faster, effectively, and efficiently.

## **Cost Leadership:**

UPS utilizes cost leadership to build a competitive advantage by entering various consumer markets. UPS preserves its market leadership position while creating costs that is efficient for its value. This strategy allows UPS to target its audience by offering affordable, inexpensive, and cost-friendly options to ship their packages.

A majority of the market share is directed towards the middle-class. This creates a bond/trust between UPS and its consumer because those lower than the higher-class tend to place high importance on the cost factor and cost leadership which will cater more towards their needs. Their sales present their cost-effectiveness by providing affordability and easy access across the world through its high brand awareness and high sales growth.

Other than lowering prices by lowering production costs and maximizing its supply chain, UPS even offers discounts and coupons for large volumes to achieve those sales targets, increase brand popularity, decrease competitive pressure, encourage consumption, and increase consumer loyalty.

## Focus:

UPS utilizes focus differentiation and focus cost leadership to build a competitive advantage against its competitors by entering various consumer markets. It seeks cost advantage through its segments while also differentiating itself in that target segment of the industry. UPS implements the focus strategy by offering consumers their best value and at a low-cost. They work to please the need of the consumer based on cost, design, size, etc. in comparison to its competitors.

Focusing on UPS's attributes, it continues to improve its strategies based on the market it's in, as well as matching or overachieving its competitors, while satisfying customers' expectations, and maximizing their value. The scope of competition is from a broad market of courier/transit companies including UPS, USPS, FedEx, Amazon, DHL, TNT Express, etc. However, with all of these firms within the industry, UPS still remains to be a top competitor.

## **Part 3: Comparison of UPS With Its Competitors**



### **How UPS Uses A Cost Leadership Strategy?**

- The primary objective of using this strategy is to preserve the market leadership position through efficient value chain management.
- This strategy allows UPS to expand the market share by targeting the middle class, which makes up the largest proportion of overall consumer market mix in most of the countries. Middle class consumers generally place high importance on the pricing factor and cost leadership is the best strategy to cater the needs of this consumer segment.

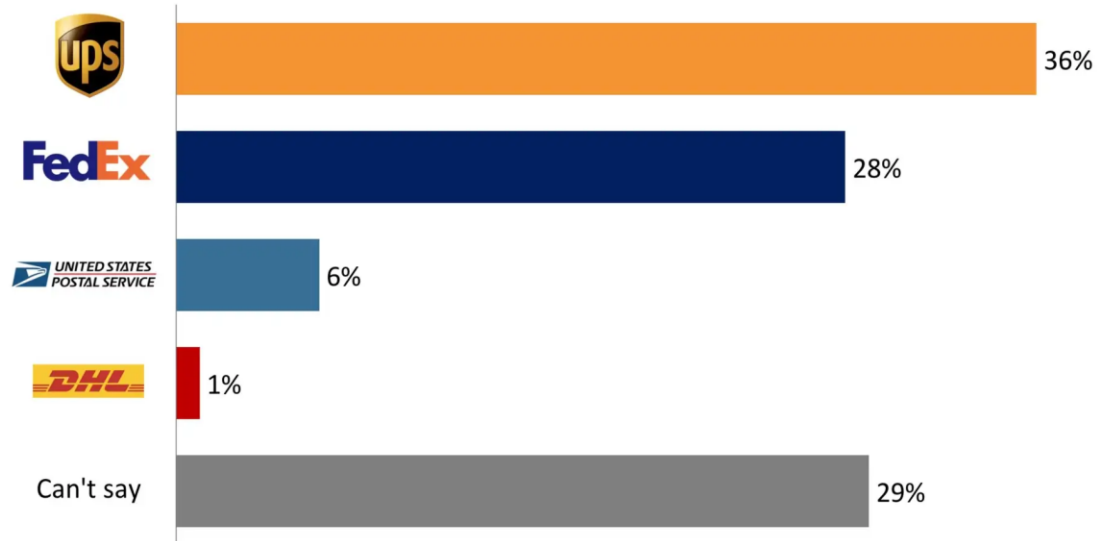
- UPS focuses on affordability and easy accessibility of its produce across the globe, which leads towards high brand awareness and high sales growth and provides a strong competitive advantage basis.
- Other than charging low prices by lowering production cost and maximizing supply chain efficiency, UPS frequently offers discounts and coupons to achieve sales targets and handle the competitive pressure by its closest rival. The intended outcome of these discount and promotional campaigns is to increase brand popularity and encourage consumption.

The discussion of UPS's cost leadership strategy has outlined many benefits offered by this generic strategy, such as- gaining quick brand recognition, expanding the customer base, encouraging consumption and achieving sales targets by emphasizing over product's affordability and accessibility.

Although, the analysis of UPS's competitive advantage strategies highlight cost leadership as the main strategy, the company also uses the differentiation strategy along with cost leadership to set the basis for sustainable competitive advantage in the intensely competitive global consumer market.

## UPS Leads The Pack With The Best Tracking Features

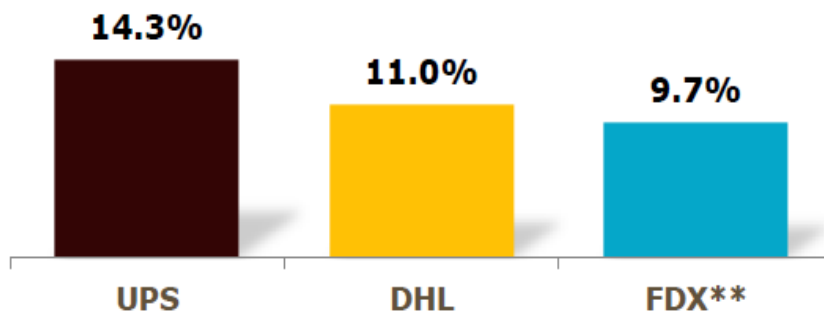
Q: Which of the following delivery providers offers the best package tracking features?



EXCLUSIVE DATA FROM  
BUSINESS  
INSIDER  
INTELLIGENCE

Source: Business Insider Intelligence Delivery Trust survey, n=911 US consumers, 2018

## Industry Leading Margins\*



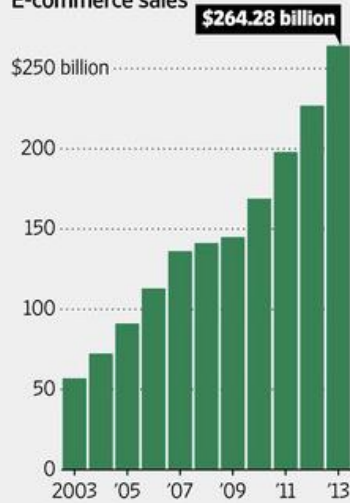
\*Operating Margin is presented on an adjusted basis for all companies (trailing 12 months) and is not reflective of the Global Small Package market.

\*\* FDX includes TNT in FY 2Q17

## Part and Parcel

Retail sales by Internet have more than quadrupled in the past decade...

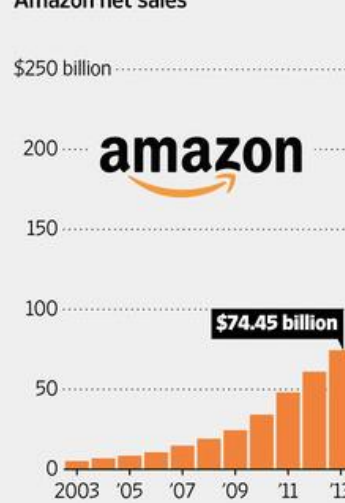
E-commerce sales



Sources: Census Bureau (e-commerce); the companies

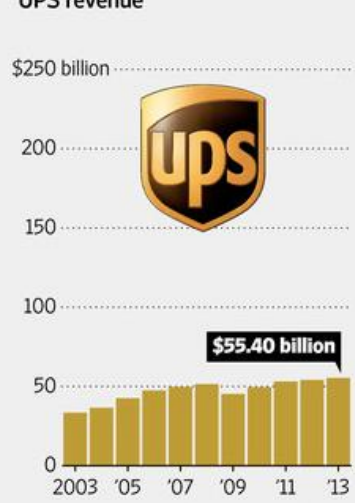
...and Amazon has fueled a big chunk of that growth...

Amazon net sales



...but competition and Amazon's size are squeezing UPS.

UPS revenue

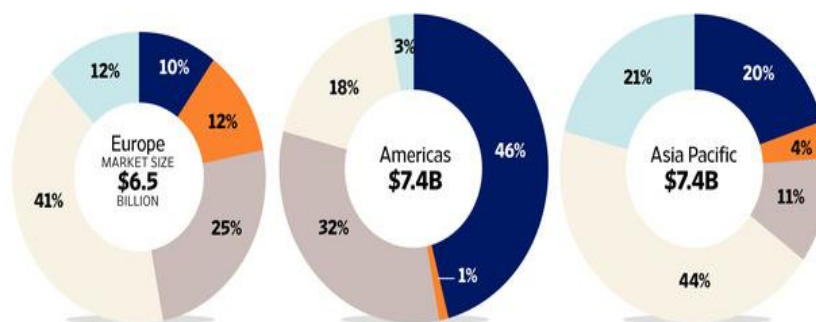


The Wall Street Journal

## Delivering a Deal

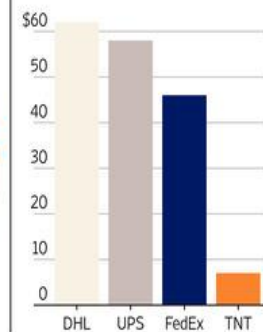
FedEx's proposed takeover of TNT would help boost its presence in Europe, where it lags behind rivals. Estimated 2014 market share for international shipments guaranteed for delivery by a specific time.

Legend: FedEx (dark blue), TNT (orange), UPS (grey), DHL (light blue), Others (white)



Sources: DHL presentation from March 2015 (market share); the companies (revenue)

Revenue from latest fiscal year, in billions



THE WALL STREET JOURNAL.

## **Part 4: The Unique Value Drivers and Low-cost Drivers**

Adding value to a business is all that matters. The value that UPS company develops for its customers relates to the prosperity it can have in the market. Value is the client's benefits from a company's solution minus the cost. If UPS company wants to succeed in the market significantly, it should bring superior value. In that case, we look at the three value drivers the company needs to know to succeed in the market.

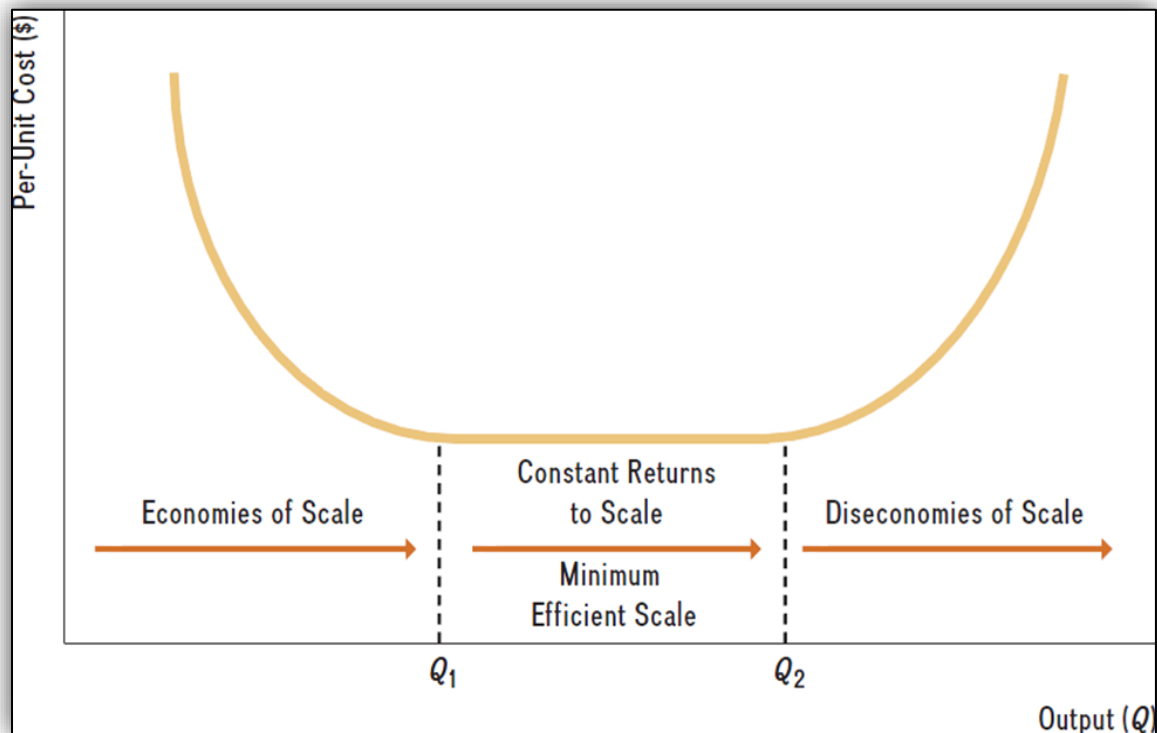
The first value driver is speed. The company's solution should be able to save time for its customers. The second value driver is quality, hence the service or product's features. The solution of UPS company should be able to make things better. There should be a quality of design. The third value driver is customer service. The company's kind of services to the customers determines whether they will be delighted with the company. Delighted customers mean directed succeeding in the market.

On the other hand, we have the cost drivers that assist in keeping costs low. UPS company has four drivers to keep its costs low: cost of input factors, economies of scale, learning-curve impacts, and experience-curve impacts. Factor inputs are the unique resources that contribute to producing services. They include capital, land, and labor (Munir et al., 2019).

The economy of scale refers to the balanced savings in costs acquired by increased production levels. With economies of scale, UPS company can blow out fixed costs over a more significant input, employ expert equipment and system, and take advantage of specific physical properties.



## Decline Per Unit Costs As Outputs Rises:



The learning curve determines the link between an increase in per-employee productivity. It leads to a rise in per-unit labor cost at static charges resulting in an increase in work skills from the experience of the job. Lastly, the experience curve impact is the systematic decline in the cost per unit. It will only be attained at the cumulative volume of UPS company (and therefore experience) increases.

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