

**The City College of
New York**



**Third Phase Of Team Project:
Competitive Advantage Of United Parcel
Service**



Nicole Dodson | Neshma Simon | Hassan Fayyaz | Adelia Fida | Hasib Md. Rashid

Professor Mehdi Samimi

Strategic Management (ECO C0016)

The City College of New York

March 29th, 2022

Topic No#	<u>Table of Content</u>	Page No#
1.	Cover Page	1
2.	Table Of Content	2
3.	Assignment Instruction	3-4
4.	Shareholder Value Creation Model	5-11
5.	Accounting Profitability Measures	11-15
6.	Industry Specific Criteria	16-24
7.	Conclusion / UPS Business Model Canvas	24-25
8.	References	26-28

Assignment Instruction

This phase of the project includes the evaluation of firm performance and business model.

First, find the 10-K of your selected company for the last fiscal year available (2022, or 2021, or 2020). Based on the 10-K (and perhaps other resources on the web) evaluate firm performance using following approaches:

- 1- Shareholder Value Creation: Return to shareholder over the last five years (for an example, see Walmart's 10-K, page 28)

Walmart 10-K:

https://www.annualreports.com/HostedData/AnnualReports/PDF/NYSE_WMT_2020.pdf

Note: You can get stock price data from different sources such as Yahoo Finance. Remember to consider the dividends and add them to your calculations. For example, if a company paid \$5 dividend in 2016, it should be added to the investment amount in the next year.

- 2- Accounting profitability measures: ROA, ROE, and ROI of the company in the last five years (you might need to download previous 10-Ks of the firm for this data). Draw a graph and table for each of the ratios and show how they changed in the last five years. Involving other ratios in addition to these and comparing the firm's performance in these measures with its industry or main competitors would bring you bonus points.
- 3- Compare the performance of your selected company with its competitors using industry-specific criteria (for example, we compared TikTok and YouTube in the class on the time users spent in the platform). The information for this comparison is not usually in the 10-

K. You need to search the web for this question. Second, fill out the business model canvas for your focal form. I have explained what business model canvas is in the lecture and there is a link to a video about it in the lecture as well. Use the attached template for this part of the assignment. Use the guide to learn what you should write in each cell.

[Guide.docx](#) 

[Business-Model-Canvas-Template1.docx](#)

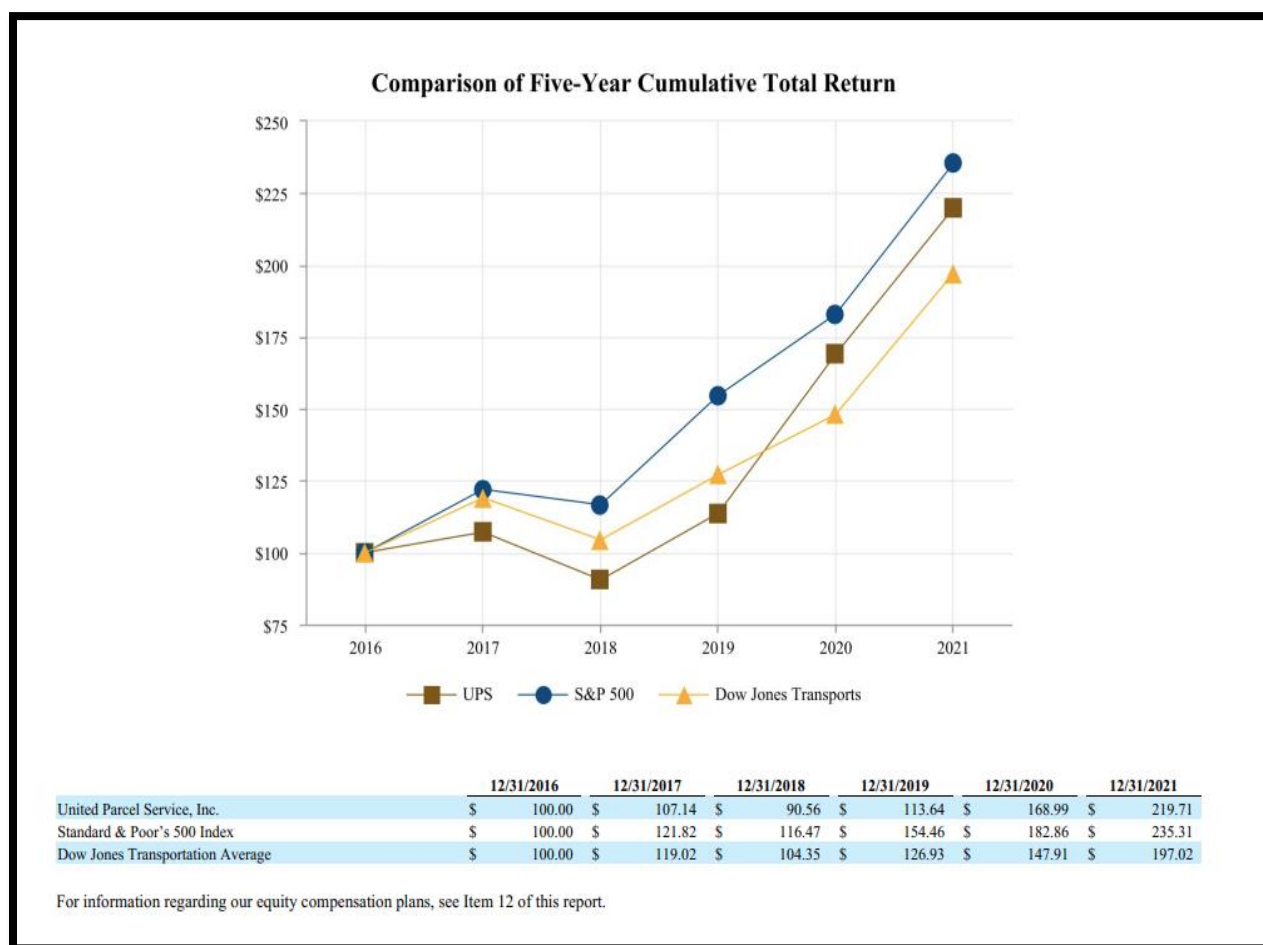
At the end, merge everything into one document and submit one word or pdf document. If you are using any reference, you must cite that.

PART #1: Shareholder Value Creation

Graphical Analysis:

Note: The links of the sources are embedded in the graphs heading.

Graph#1

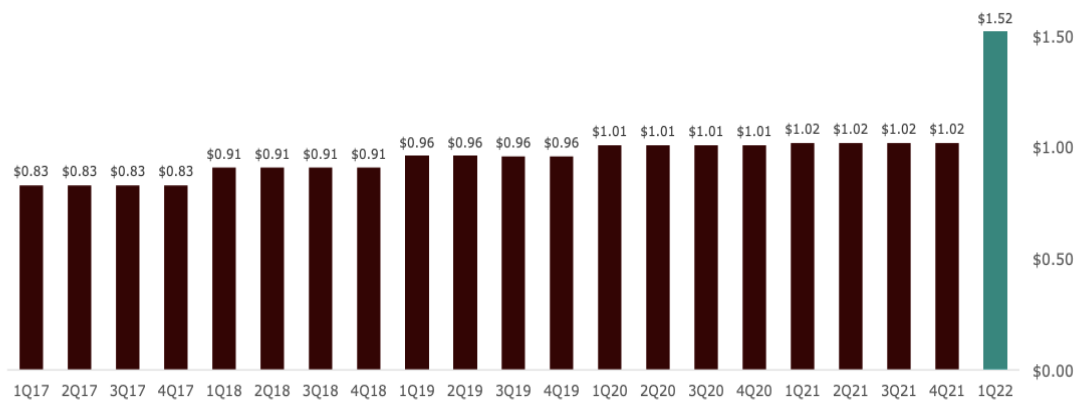


Graph#2



Graph#3

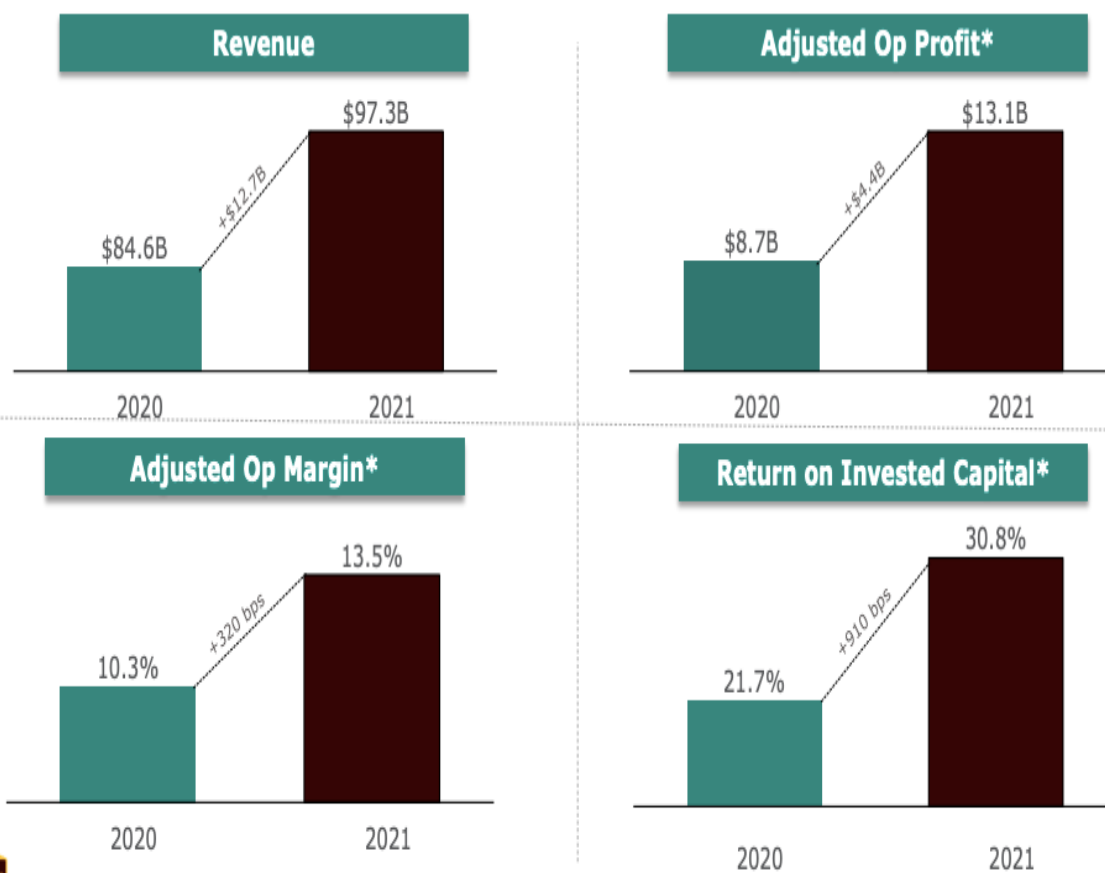
UPS Increases Quarterly Dividend by 49% to \$1.52 per Share; Largest in History



Achieved Targeted Dividend Payout Ratio of 50%

Graph#4

UPS Delivered Record Consolidated Financial Results in 2021



© 2022 United Parcel Service of America, Inc. UPS, the UPS brandmark, and the color dark brown tone are trademarks of United Parcel Service of America, Inc. All rights reserved.

* Non-GAAP financial measure. See Appendix for reconciliation to GAAP financial measure.

20

Graph#5

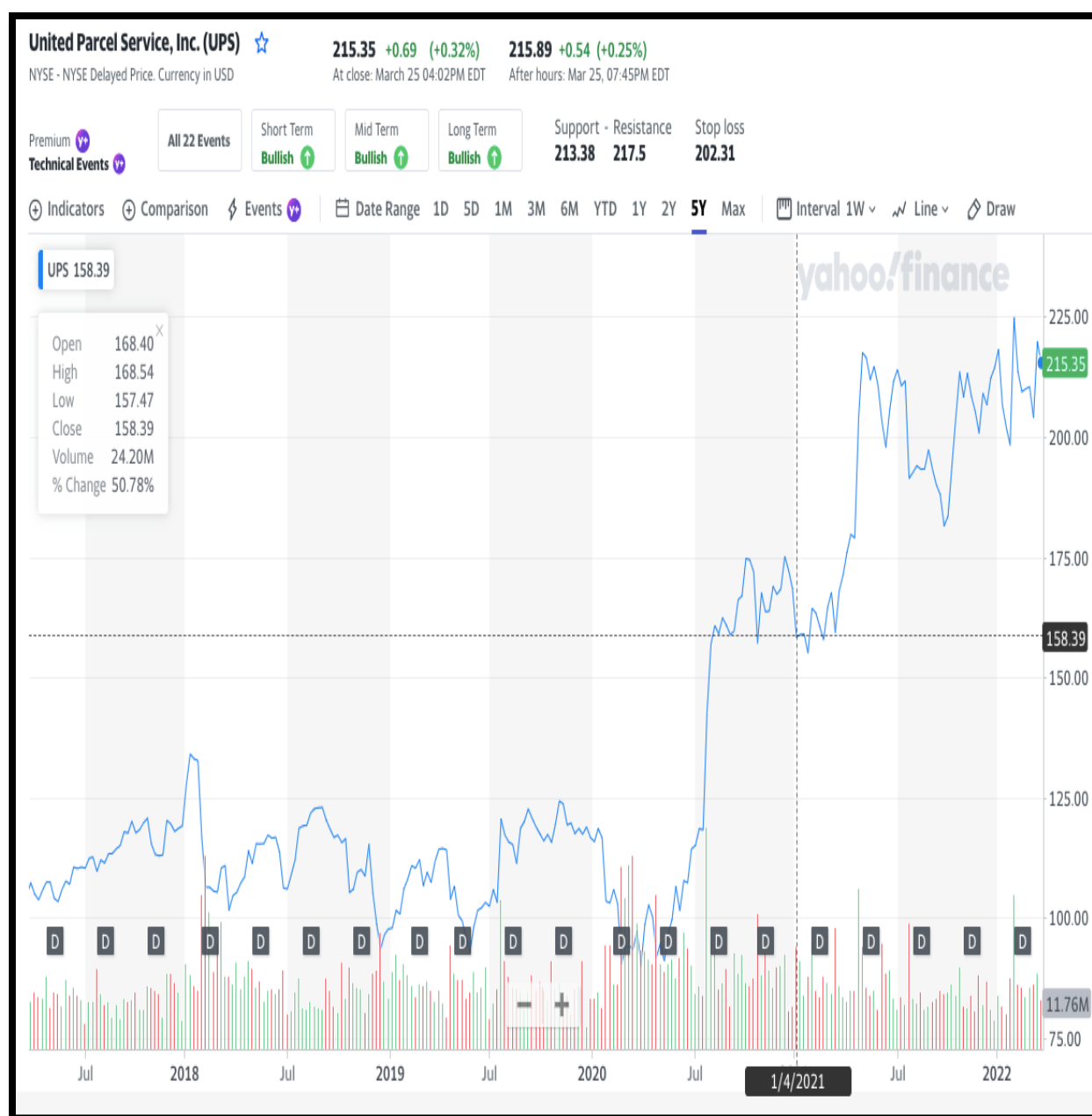


UPS's Massive Dividend Raise Reflects Strength:

At the beginning of February, United Parcel Service Inc. (NYSE:UPS) announced that it was raising its quarterly dividend by 49%. This is one of the largest increases this year amongst

the big-cap names in the market. Its not like UPS is just beginning its dividend growth streak or is starting from a low base. The company has raised its dividend for 13 consecutive years, with a compound annual growth rate (CAGR) of nearly 7% over the last decade. Let's take a closer look at why the company feels that such an increase at this time was warranted.

Graph#6: 2017-2022 Dividends By UPS



Company's Background & Results History:

UPS is the largest air and ground package delivery company in the world. The company has operations in more than 220 countries and averages more than 25 million package deliveries per day in the U.S. alone. UPS has annual revenue of more than \$97 billion and a market capitalization of \$177 billion. UPS reported fourth-quarter and full year-2021 earnings results on Feb. 1. For the quarter, revenue grew 11.5% to almost \$28 billion. Adjusted earnings per share of \$3.59 compared favorably \$2.66 in the previous period.

For the year, revenue gained 15% to \$97.3 billion while adjusted earnings per share of \$12.13 was considerably ahead of the \$8.23 the company produced in 2020. UPS has a history of growing both its top and bottom lines. Revenue has a CAGR of 6.7% over the last decade. Excluding last year's performance, the previous 10-year period saw a still solid CAGR of 5.3%. Earnings per share have increased at an annual rate of 11.6% since 2012. The 2011 to 2020 period had a growth rate of 7.7%.

The company has seen business grow at a steady rate for a long period, but the most recent results were especially impressive. These results were not on the back of weak comparable numbers either. For 2020, revenue and adjusted earnings per share grew 14.2% and 9.3%, respectively. Shareholders of UPS received a dividend increase that was approximately seven times the long-term average for the payment distributed. The company was in a position to do so because its business is quite strong.

UPS's business prospered during the beginning of the pandemic and, if most recent results and analysts forward estimates are any indication, the company should see additional growth in the coming years. Even after the increase, UPS's projected payout ratios are within the normal historical range and debt obligations don't look like an obstacle to future growth. And if free cash

flow generated in 2021 is the new type of normal for the company, then investors can likely expect to see high rates of dividend growth going forward as well. This suggests that UPS is now a much more attractive option for income-oriented investors.

PART #2: Accounting Profitability Measures

ROA, ROE, and ROI of the company in the last five years (you might need to download previous 10-Ks of the firm for this data). Draw a graph and table for each of the ratios and show how they changed in the last five years. Involving other ratios in addition to these and comparing the firm's performance in these measures with its industry or main competitors would bring you bonus points.

ROA = Net Income / Total Assets:

Year	2020	2019	2018	2017	2016
Net Income	\$1,343	\$4,440	\$4,791	\$4,905	\$3,422
Total assets	62,408	57,857	50,016	45,574	40,545
ROA UPS	0.0215	0.0767	0.0957	0.1076	0.0844

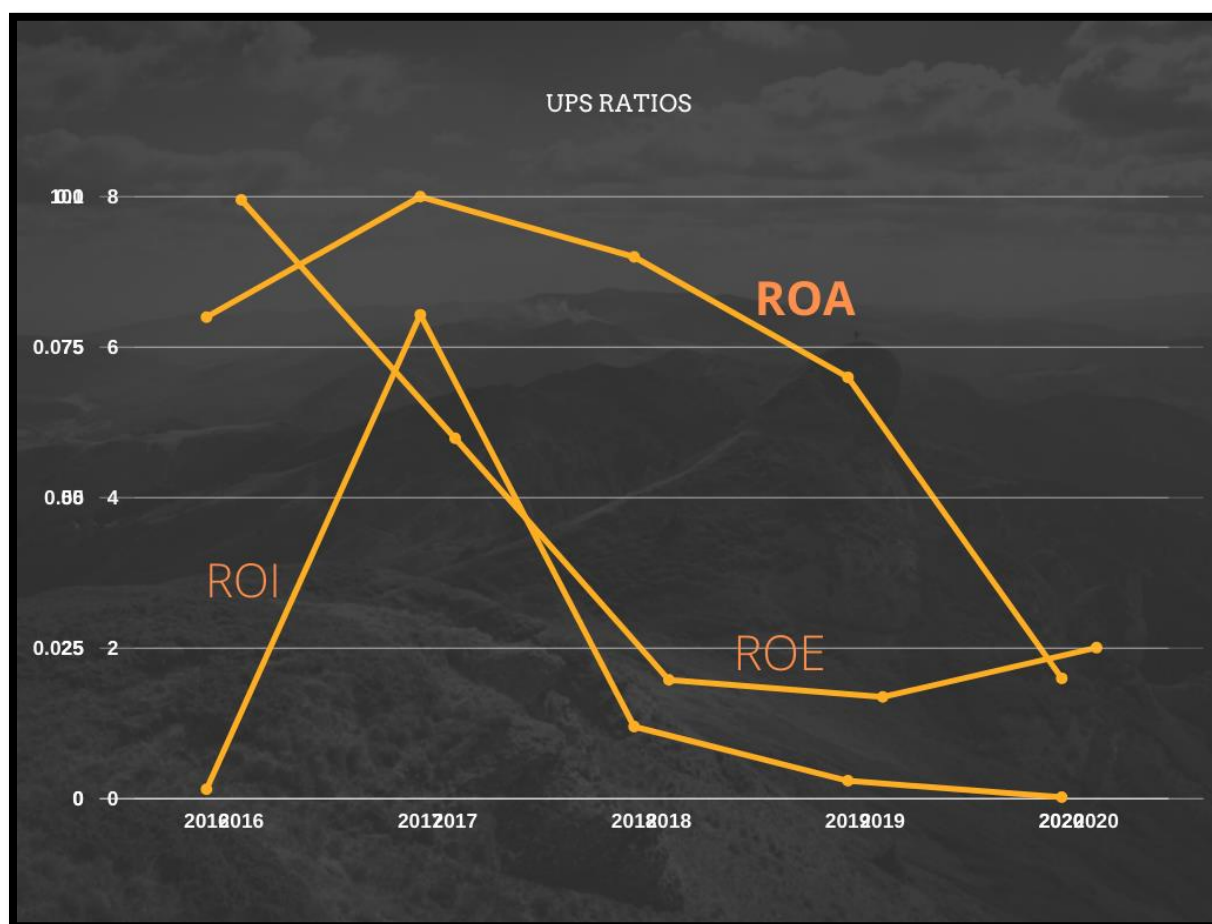
ROE = Net Income / Shareholders' Equity:

Year	2020	2019	2018	2017	2016
Net Income	\$1,343	\$4,440	\$4,791	\$4,905	\$3,422
Shareholders' Equity	669	3,283	3,037	1,024	430
ROE UPS	2.007	1.352	1.5775	4.7900	7.9581

ROI = Net Income / Cost of investment:

Year	2020	2019	2018	2017	2016
Net Income	\$1,343	\$4,440	\$4,791	\$4,905	\$3,422
Investment cost	(5,139)	(1,493)	(400)	61	(2,186)
ROI UPS	0.2613	2.973	11.97	80.4	1.565

Graph#1: UPS Ratios



United Parcel Service Inc. ROA improved from 2016 to 2017 but then deteriorated significantly from 2017 to 2020. ROE deteriorated from 2016 to 2019 but then improved from 2019 to 2020 exceeding 2018 level. ROI improved from 2016 to 2017 but then deteriorated from 2017 to 2020.

Trucking And Courier Services, Except Air:

Average industry financial ratios for U.S. listed companies

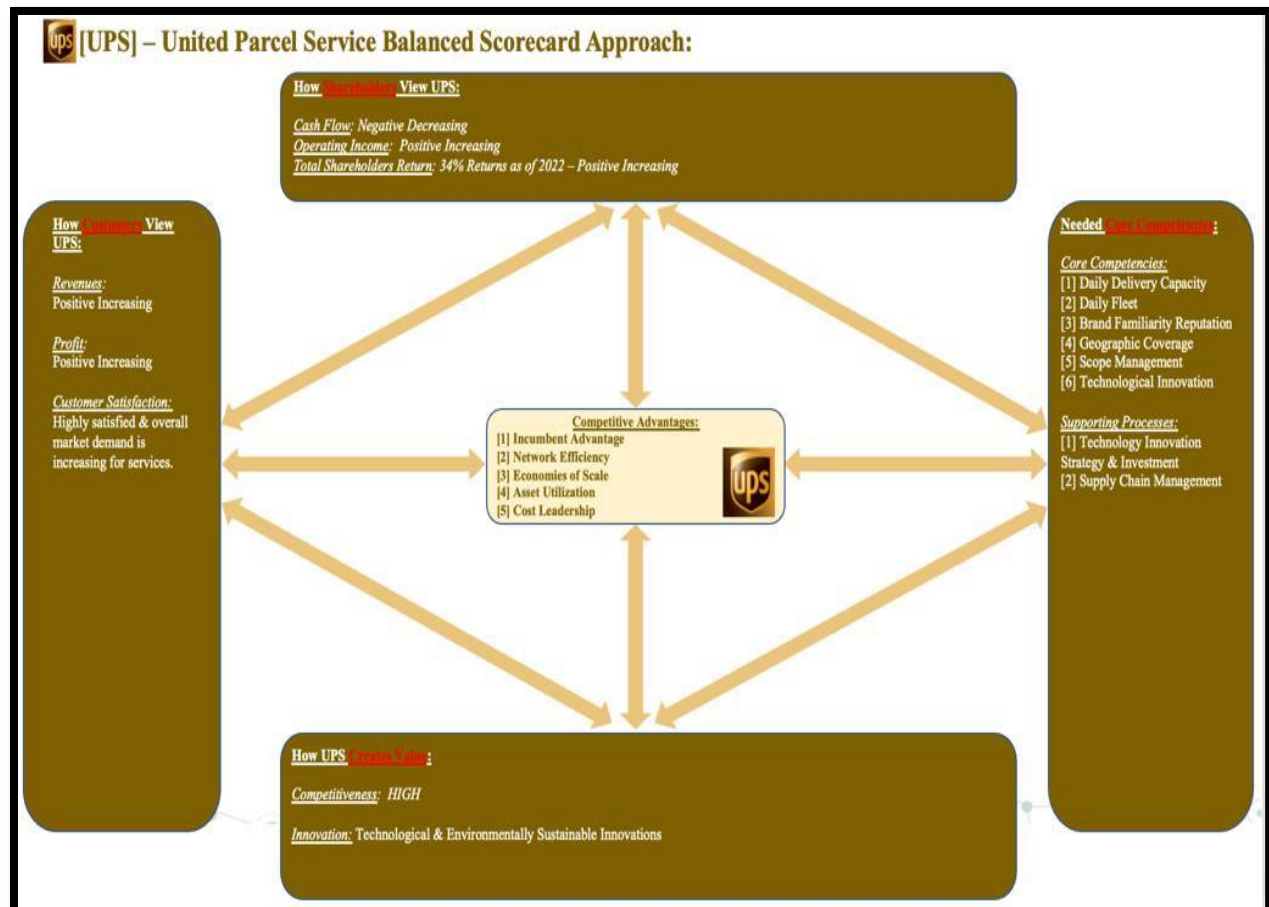
Profitability Ratios **2020** **2019** **2018** **2017** **2016**

Profit margin	4.2%	4.3%	5.4%	7.5%	3.9%
ROE (Return on equity), after tax	10.7%	8.6%	13.4%	17.8%	11.5%
ROA (Return on assets)	4.8%	4.1%	7.4%	9.8%	5.3%
Gross margin	12.9%	13.1%	17.8%	77.2%	90.8%
Operating margin (Return on sales)	6.1%	4.5%	7.5%	5.6%	6.5%

United Parcel Service Inc., profitability ratios

	Dec 31, 2021	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017
Return on Sales					
Gross Profit Margin	72.20%	73.87%	74.21%	72.27%	75.05%
Operating Profit Margin	13.17%	9.08%	10.52%	9.77%	11.43%
Net Profit Margin	13.25%	1.59%	5.99%	6.67%	7.45%
Return on Investment					
Return On Equity (ROE)	90.44%	204.41%	135.90%	158.59%	491.00%
Return On Assets (ROA)	18.57%	2.15%	7.67%	9.58%	10.81%

Performance Evaluation Based On Balanced Scoreboard:



PART #3: Industry-Specific Criteria

According to UPS, regardless of the economy's tight job market, they are proud of their productivity and efficiency methods. It is one of the world's largest package delivery companies with about \$84.6 billion as its 2020 revenue. They are focused on four strategic priorities: well-positioned for profitable growth, continued expansion of high growth in international markets, profitable expansion in ecommerce, and future penetration of enhancing services for smaller businesses.

To make this a reality, they rely on their employees heavily to create consumer relationships while also giving them more opportunities to flourish. They hire seasonal workers to decrease unemployment and create a workflow to push packages out on time. In fact, UPS announced that it is expected to hire more than 100,000 essential seasonal employees to aid with the increase in package volume.

These seasonal workers have positions from package handlers, drivers, personal vehicle drivers and driver helpers. These seasonal jobs then turn into careers where over the last three years, one-third of those hired by UPS were later hired in a permanent position. In fact, about 138,000 of UPS' current employees began as seasonal help.

A main difference that the majority of its competitors do not have is its delivery truck technology. UPS equips its trucks with different sensors to ensure the fastest deliveries. These sensors track every movement made which gets reported back to the company where they can check to make sure everything is running smoothly. As these drivers know of the sensors, they are cognizant of their need to save time and money.

Image#1



As shown in the image above, UPS trucks are known to have one door open at all times, this creates the necessary means to step in and out of the truck for delivery, saving a few seconds of opening and closing the door for each destination. Their trucks also do not have keys anymore, they were replaced with push-key fobs and drivers also plan out their delivery routes so avoid making left turns. All of these were carefully thought out to create an efficient, effective, and time-saving track for these drivers to satisfy their consumers.




UPS vs. FedEx vs. USPS:

Ship Matrix, a subsidiary with the means to help retailers, distributors, and manufacturers unleash their shipping data to improve customer experience, is used to monitor and assess the progress in performance by UPS, USPS, and FedEx. In 2020, “FedEx came in at 84.8% (below 93.9% from week 50 of 2020), UPS at 95.8% (below 96.1% from week 50 of 2020), and USPS at

95.0% (above 87.5% from week 50 of 2020), in line with week 49, from November 28-December 4, when FedEx was at 83.9%, UPS at 96.1%, and USPS at 95.5%.

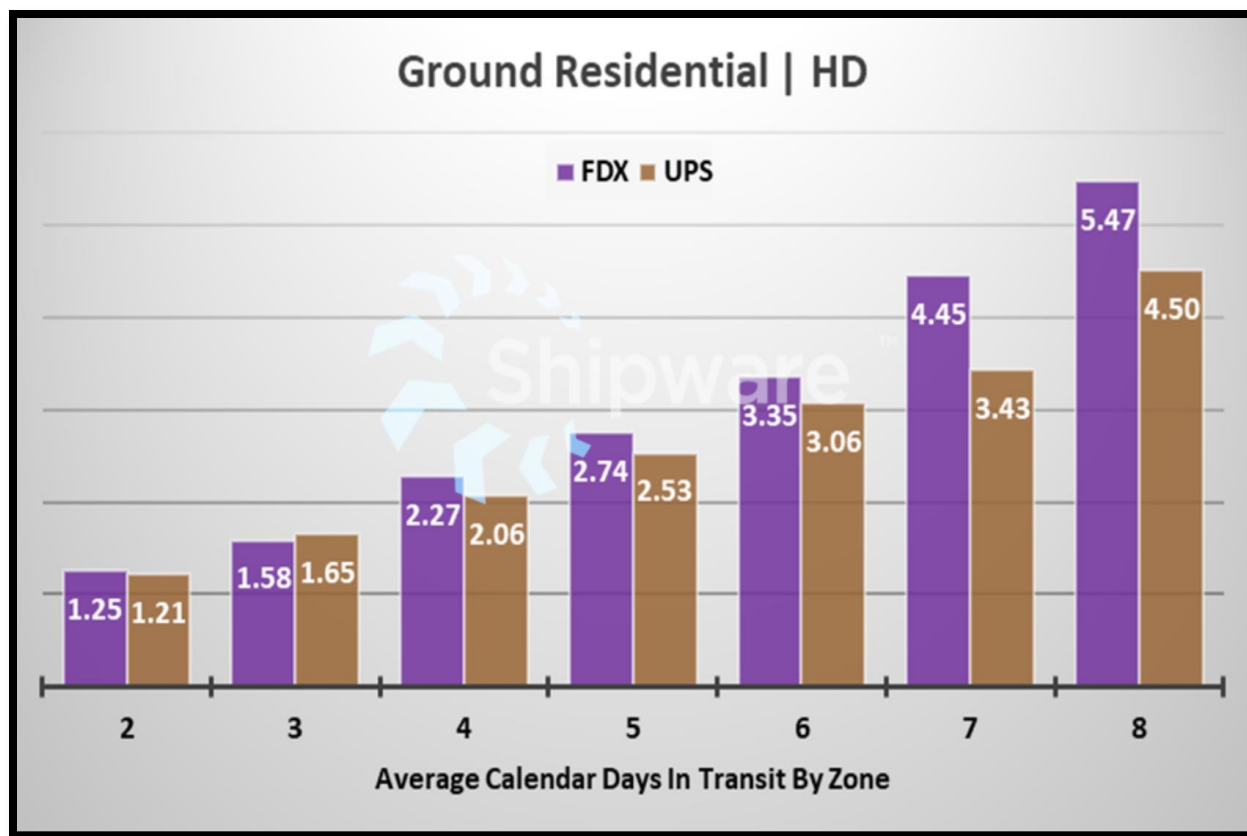
Data for performance measured for express service being on time if delivered by end of day and Ground within one extra day, for week 50, showed FedEx at 97.1%, UPS at 99.3%, and USPS at 98.5%, which were in line with week 49, which saw FedEx at 97.4%, UPS at 99.0%, and USPS at 98.6%.” In other words, these results show that USPS has shown improvement as they look to expand their services. FedEx appeared to show struggling in their need to delivery large shipments and took multiple days to perform these deliveries that UPS and USPS could have done in a shorter time period.

Image#2

			
Pricing	Competitive on larger parcels	Competitive on larger parcels	Best overall value
Service Options	Ground through same-day	Ground through time-critical overnight	Ground through express
Pickup Options	For a fee	For a fee	Free
Drop-off Options	FedEx locations and retail centers	UPS locations and retail centers	USPS locations and retail centers
Free Tracking	✓	✓	✓
Up to \$100 Free Insurance	✓	✓	✓
Commercial Discounts	✓	✓	✓
Label Printing Options	FedEx.com and other integrations	UPS.com and other integrations	USPS.com and other integrations
Customer Support Via Phone, Email, and In Person	✓	✓	✓

USPS offers free pickup, free Priority and Express Mail packaging, and a wider range of delivery options. It is great for smaller businesses who do not wish to spend a large amount on shipping. This shipping carrier is cheaper and fast than the other two options. We can see here that on a grand scale, USPS offers customers more options with a better fee, however, they focus more on an international scale. Therefore, it would be more ideal to compare and contrast the performance ability of UPS and FedEx as they share many of the same factors.

Graph#1: UPS vs. FedEx



Up until zone six, UPS and FedEx are almost aligned and offer the same delivery time for shipping. In zones seven and eight, we see FedEx taking more time to ship their packages whereas UPS seems to be essentially one day quicker.

Image#3: (UPS)

United Parcel Service (UPS)

215.35 +0.69 (+0.32%) 03/25/22 [NYSE]

POST-MARKET 215.89 +0.54 (+0.25%) 19:45 ET

PERFORMANCE REPORT for Fri, Mar 25th, 2022

[Alerts](#)  [Watch](#)  [Help](#) 

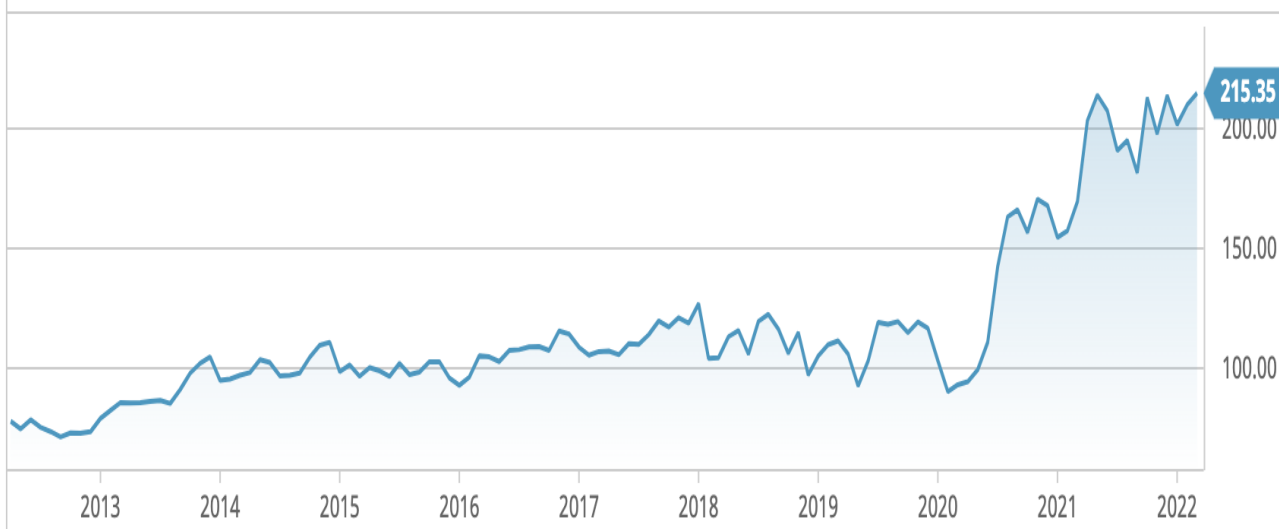
Past 5 Months

Monthly 

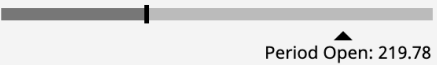

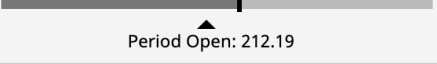

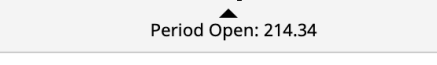
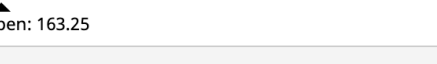
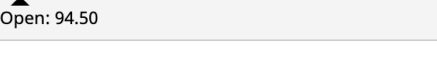

Date	Open	High	Low	Last	Change	%Chg	Volume
03/01/22	209.47	222.57	198.53	215.35	+4.93	+2.34%	2,876,963
02/01/22	225.01	233.72	199.05	210.42	+8.21	+4.06%	4,089,626
01/01/22	214.65	219.45	192.74	202.21	-12.13	-5.66%	2,653,320
12/01/21	200.88	216.34	193.82	214.34	+15.97	+8.05%	2,337,905
11/01/21	214.86	216.49	198.10	198.37	-15.10	-7.07%	2,467,281

Graph#2: (UPS)

10-YEAR PERFORMANCE



Image#4: (UPS)

Price Performance				Price History
Period	Period Low		Period High	Performance
5-Day	212.07 +1.55% on 03/25/22		221.80 -2.91% on 03/21/22	-4.43 (-2.02%) since 03/18/22
1-Month	198.53 +8.47% on 03/08/22		222.57 -3.24% on 03/17/22	+5.40 (+2.57%) since 02/25/22
3-Month	192.74 +11.73% on 01/28/22		233.72 -7.86% on 02/01/22	+3.16 (+1.49%) since 12/23/21
6-Month	177.13 +21.58% on 10/04/21		233.72 -7.86% on 02/01/22	+27.33 (+14.54%) since 09/24/21
YTD	192.74 +11.73% on 01/28/22		233.72 -7.86% on 02/01/22	+1.01 (+0.47%) since 12/31/21
52-Week	163.79 +31.48% on 03/26/21		233.72 -7.86% on 02/01/22	+52.10 (+31.91%) since 03/25/21
2-Year	88.35 +143.75% on 04/02/20		233.72 -7.86% on 02/01/22	+120.85 (+127.88%) since 03/25/20
3-Year	82.00 +162.62% on 03/09/20		233.72 -7.86% on 01/31/22	+103.61 (+92.72%) since 03/25/19

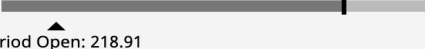



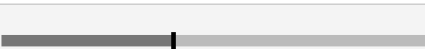
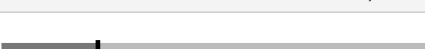
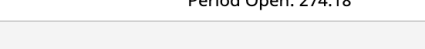
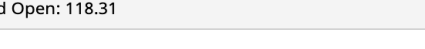
Based on these charts and graphs, UPS's performance seems to be doing relatively well. Looking at the past five months, it seems to have a continuous steady increase since January of 2022, and by looking at December of 2021 we can see that it had about an 8% increase. Looking at December, or the holiday time, is a great indicator to see whether or not a shipping service firm is doing well. From the graph, we noticed a steady incline since 2013 except for 2020 when the pandemic was at its peak. Understandably, UPS lost a great deal of its profits as most were in lockdown and stationed at home.

However, in 2021, there was a drastic increase and continues to increase today. Within the last five days, UPS businesses has not been doing so well with the change in weather as well as some stores shutting down due to the process of relocating to a bigger store, but on a grand scale, performance wise-UPS is doing great. This does make sense since UPS is known for their fastest shipping options, especially with its UPS Next Day services which places a package on a flight and arrives the same day. Even on an international scale, customers noticed their packages arriving sooner than the estimated arrival date. It has affordable, quick, and reliable shipping.

Image#5: (FDX)

Fedex Corp (FDX) 226.56 +1.44 (+0.64%) 03/25/22 [NYSE] 203.00 x 1 227.24 x 1 POST-MARKET 226.00 -0.56 (-0.25%) 18:29 ET PERFORMANCE REPORT for Fri, Mar 25th, 2022							
Past 5 Months						Monthly	
Date	Open	High	Low	Last	Change	%Chg	Volume
03/01/22	221.04	229.41	199.03	226.56	+4.29	+1.93%	3,005,421
02/01/22	254.78	256.49	206.31	222.27	-23.59	-9.59%	2,409,716
01/01/22	259.80	266.79	236.85	245.86	-12.78	-4.94%	2,196,100
12/01/21	235.00	260.50	227.40	258.64	+28.27	+12.27%	2,320,255
11/01/21	237.28	255.30	229.91	230.37	-5.16	-2.19%	2,022,029

Graph#3: (FDX)**Image#6:** (FDX)

Price Performance				Price History
Period	Period Low		Period High	Performance
5-Day	217.47 +4.18% on 03/21/22		228.70 -0.94% on 03/22/22	+7.65 (+3.49%) since 03/18/22
1-Month	199.03 +13.83% on 03/08/22		229.41 -1.24% on 03/17/22	+5.84 (+2.65%) since 02/25/22
3-Month	199.03 +13.83% on 03/08/22		266.79 -15.08% on 01/05/22	-27.26 (-10.74%) since 12/23/21
6-Month	199.03 +13.83% on 03/08/22		266.79 -15.08% on 01/05/22	-0.08 (-0.04%) since 09/24/21
YTD	199.03 +13.83% on 03/08/22		266.79 -15.08% on 01/05/22	-32.08 (-12.40%) since 12/31/21
52-Week	199.03 +13.83% on 03/08/22		319.90 -29.18% on 05/27/21	-47.62 (-17.37%) since 03/25/21
2-Year	103.40 +119.11% on 05/14/20		319.90 -29.18% on 05/27/21	+108.25 (+91.50%) since 03/25/20
3-Year	88.69 +155.45% on 03/16/20		319.90 -29.18% on 05/24/21	+45.15 (+24.89%) since 03/25/19

Based on these charts and graphs, FedEx does not seem to have as strong of a performance as it tends to fluctuate. Looking at the past five months, it seems to be a mixture of increase and decreasing each month. Therefore, it is difficult to tell whether FedEx has been improvising in their changes. When viewing December, it's great to see that they had a 12% increase which is around the holiday time, so a large amount of shipping was successful.

However, from the graph we can notice that there is not a steady incline from 2013 but rather many dips throughout the years. The largest dips are from 2019 and 2020 which are understandable due to the pandemic as well as the travel/delivery restrictions. In 2021, there was a sudden increase and in 2022 there seems to be enough productivity to keep FedEx profitable.

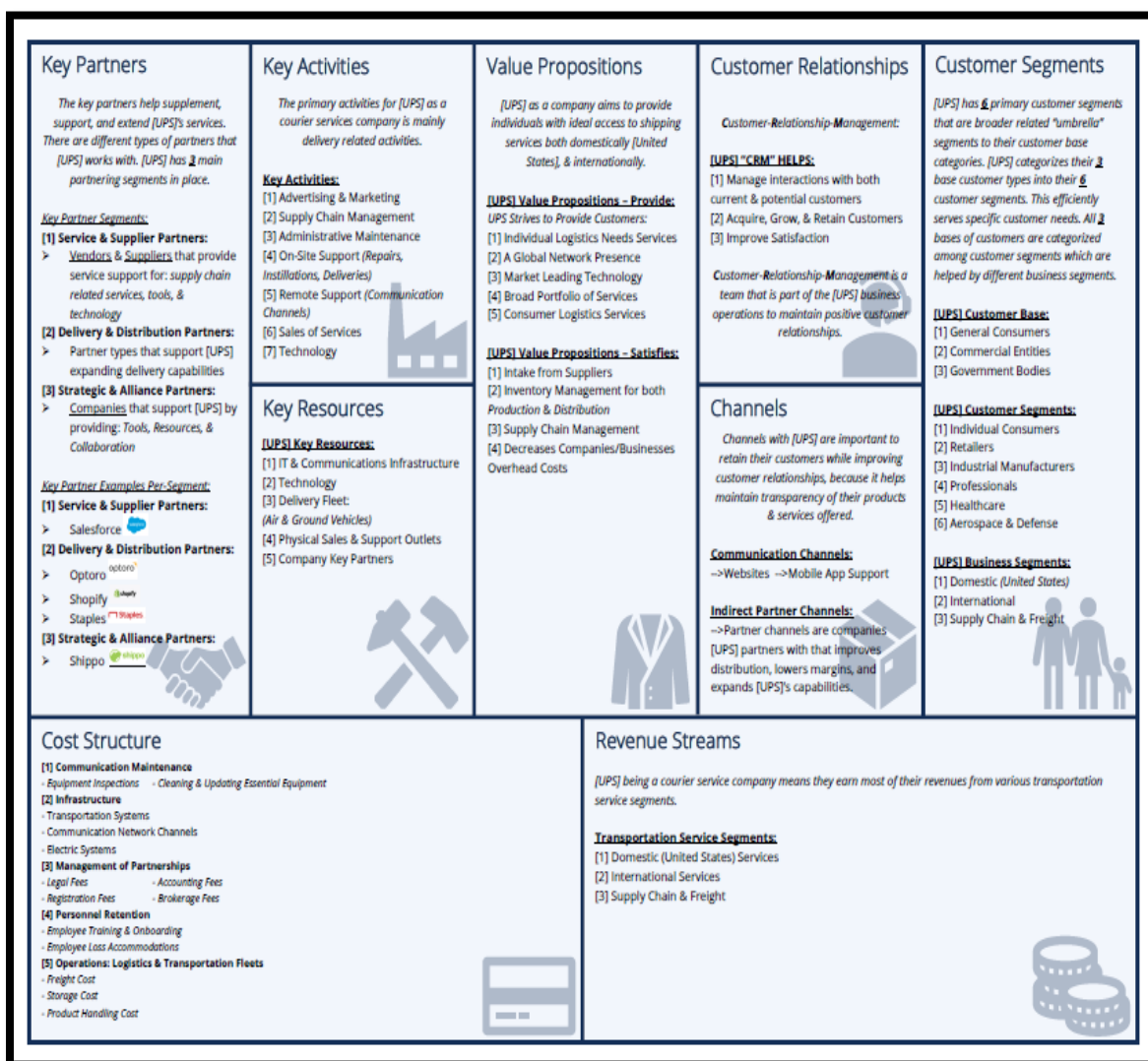
Based on price performance, FedEx has been doing great within the past 5 days to a month as they increased from the month before. Unfortunately, on a grand scale, it does not seem to be doing very well as it is not consistent. FedEx has a greater dependence on larger businesses who need expedited shipping and can negotiate prices through volume discounts or international shipping. Its smaller and lighter weighted packages have more competitive pricing.

Conclusion

United Parcel Service [UPS] Business Model Canvas:

Completing a business model canvas for our company [UPS] allowed our team to better understand their competitive tactics & initiatives, intents to make revenues, and conducting business with their buyers, suppliers, & partners. Their competitive tactics are utilizing their incumbent advantage to be able to offer affordable prices of their services.

UPS conducts their business with their buyers, suppliers, and partners via three different main business segments: Domestic, International, and Supply Chain & Freight. These business segments help produce revenues and play out competitive tactics. Overall, [UPS] is a very strong company within the courier services industry market. Their company strength has potential to continue growing in the upcoming years as the courier markets development & popularity track continues.



References

- Berman, J. (2021, December 20). *2021 week 50 on-time delivery performance data is solid, reports ShipMatrix*. Recently Filed RSS. Retrieved March 28, 2022, from https://www.logisticsmgmt.com/article/2021_week_50_on_time_delivery_performance_data_is_solid_reports_shipmatrix#:~:text=FedEx%20came%20in%20at%2084.8,USPS%20at%2095.5%25%3B%20and
- Brophy, M. (2022, January 7). *Fedex vs UPS VS USPS: Shipping Rate & Reliability Comparison for 2022*. Fit Small Business. Retrieved March 28, 2022, from <https://fitsmallbusiness.com/fedex-vs-ups-vs-usps/>
- Buxbaum, P. (2018, September 21). *UPS transformation relies on four strategic pillars*. Global Trade Magazine. Retrieved March 28, 2022, from <https://www.globaltrademag.com/ups-transformation-relies-on-four-strategic-pillars/>
- Dybek, M. (2022, February 23). *United Parcel Service Inc.: Analysis of profitability ratios*. Stock Analysis on Net. Retrieved March 28, 2022, from <https://www.stock-analysis-on.net/NYSE/Company/United-Parcel-Service-Inc/Ratios/Profitability?msclkid=c72314fcaccd11ec902efdd34573ae89#Ratios-Summary>
- FDX - Fedex Corp Stock Performance Report*. Barchart.com. (2022). Retrieved March 28, 2022, from <https://www.barchart.com/stocks/quotes/FDX/performance>

Grimes, A. C. (2019, October 29). *The reason UPS Trucks always have their doors open.*

Grunge.com. Retrieved March 28, 2022, from https://www.grunge.com/171130/the-reason-ups-trucks-always-have-their-doors-open/?utm_campaign=clip

Juanmonino. (2013). *Dolly with boxes from a UPS delivery truck in Miami down Town. UPS is...*

iStock. Retrieved March 28, 2022, from <https://www.istockphoto.com/photo/ups-delivering-gm471505971-24170617>

Trucking And Courier Services, Except Air: average industry financial ratios for U.S. listed

companies. Ready Ratios. (2022). Retrieved March 28, 2022, from <https://www.readyratios.com/sec/industry/421/>

UPS - United Parcel Service Stock Performance Report. Barchart.com. (2022). Retrieved March

28, 2022, from <https://www.barchart.com/stocks/quotes/UPS/performance>

UPS to hire over 100k essential seasonal workers. About UPS-BE. (2021, September 9).

Retrieved March 28, 2022, from <https://about.ups.com/be/en/newsroom/press-releases/customer-first/ups-to-hire-over-100k-essential-seasonal-workers.html>

Washington, D.C. 20549 form 10-K - investors.ups.com. (2021). Retrieved March 28, 2022, from

<https://investors.ups.com/sec-filings/annual-filings/content/0001090727-22-000007/0001090727-22-000007.pdf>

Wheeler, K. (2021, August 13). *UPS vs. fedex differences in published vs actual time-in-transit.*

PARCEL Industry. Retrieved March 28, 2022, from <https://parcelindustry.com/article-5733-UPS-vs-FedEx-Differences-in-Published-vs-Actual-Time-in-transit.html>

Yahoo! (2022). *Latest Financial and business news*. Yahoo! Finance. Retrieved March 28, 2022,
from <https://finance.yahoo.com/news>