

**The City College of  
New York**



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## **SECOND PHASE OF TEAM PROJECT: Internal Analysis Of United Parcel Service**



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# **Assignment Instruction**

In the second phase of the team project, you are asked to conduct an Internal Analysis for the company that you selected before. In conducting the internal analysis, you should address the following:

- 1- What is the core competency (or main core competencies) of your selected firm?

In the first part of the lecture, I explained what a core competency is and provided some examples for it.

- 2- What are the key resources of the company you selected? Explain each key resource and conduct the VRIO analysis for that resource to find out whether the resource can be a source of sustainable competitive advantage or not. See slides 14 to 22 for the VRIO analysis. For each dimension of VRIO you should justify your analysis. For example, if you think a resource is hard to imitate by other competitors you should explain why you think so (Is it because of any of the isolating mechanisms that are listed on slide 22?).
- 3- Conduct value chain analysis: List major primary and support activities of the selected firm. Is the firm doing any of these activities in different ways than its major competitors? How does the difference in performing the activity create additional value or lower cost?
- 4- Based on your answers to the above questions, what are the main strengths and weaknesses of the company you selected?

If you are using any references, do not forget to cite them at the end of your report.

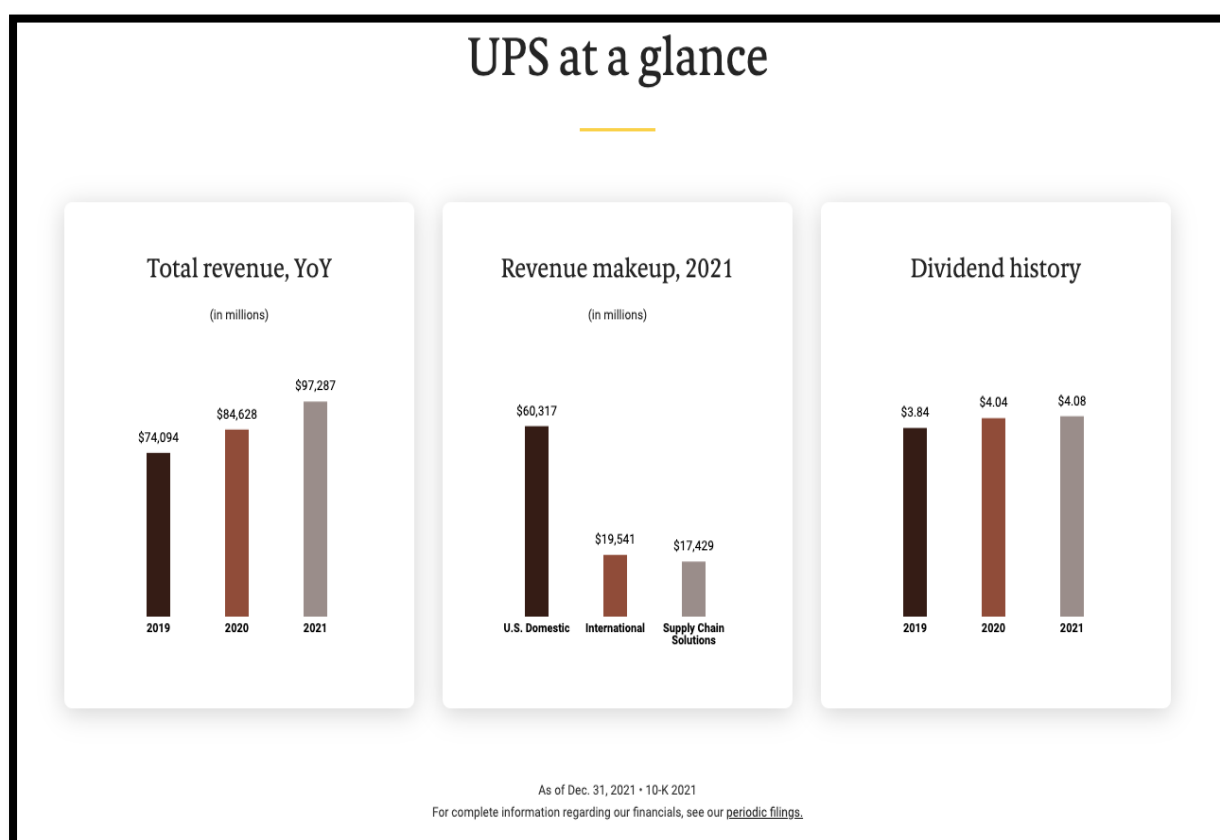
## About UPS

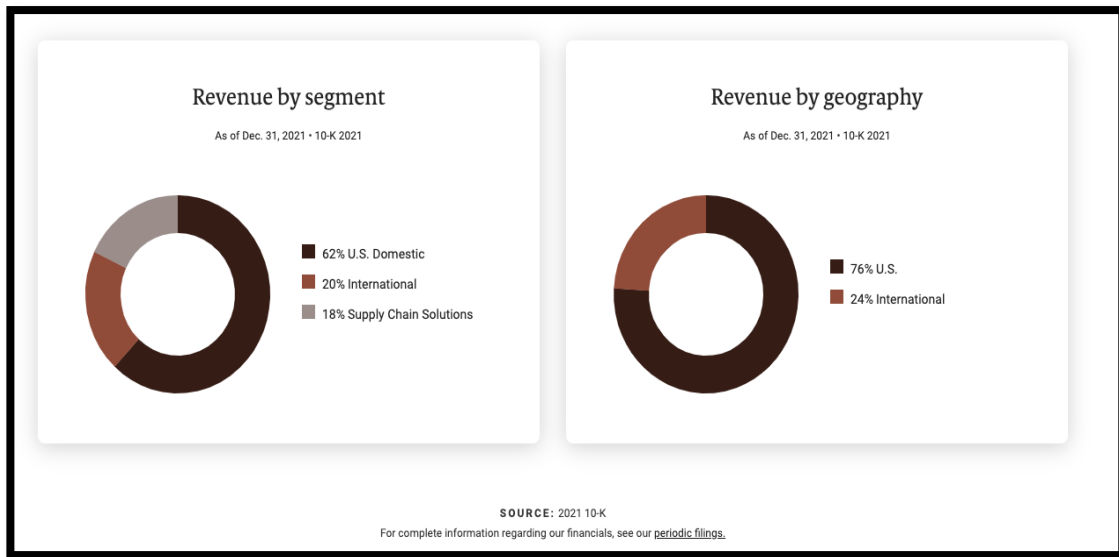
UPS is the world's premier package delivery company and a leading provider of global supply chain management solutions. We operate one of the largest airlines and one of the largest fleets of alternative fuel vehicles under a global UPS brand.

### UPS Philosophy:

#### *Customer First, People Led, Innovation Driven*

UPS delivers packages each business day for 1.7 million shipping customers to 11.8 million delivery customers in over 220 countries and territories. In 2021, the company delivered an average of 25.2 million packages per day, totaling 6.4 billion packages during the year. Total revenue in 2021 was \$97.3 billion.





534K	220+	25.2M	\$97.3B
Employees	Countries and territories	Packages per day	Total revenue for 2021

Source: <https://investors.ups.com/>

## Competitive Analysis

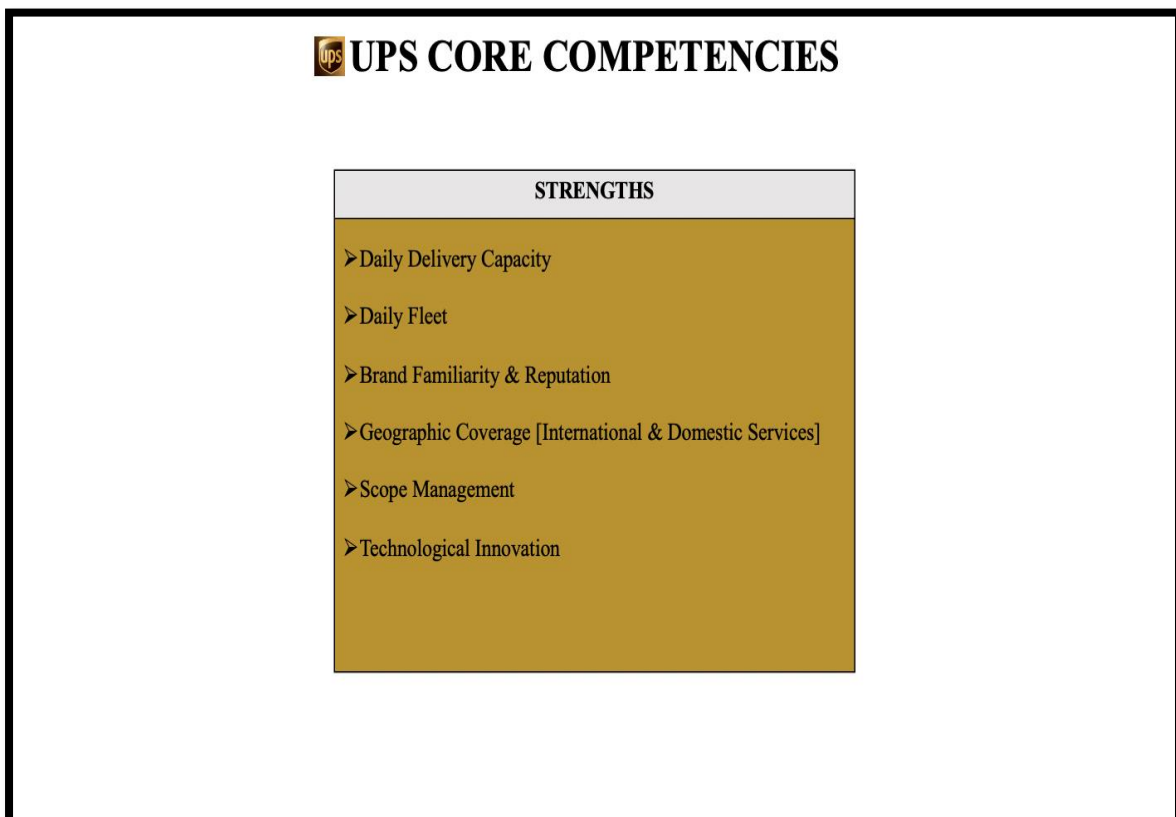
UPS's main competitors are FedEx and the United States Postal Service (USPS). UPS's competitive advantage lies in its freight and ground shipping services. FedEx specializes in next-day air service deliveries, while the USPS focuses on residential mail and small package delivery. As of 2015, UPS maintained 57% market share in the domestic courier and delivery services industry, while FedEx holds 25% market share (IBISWorld). Additionally, 57% of all deliveries in 2015 occurred using ground delivery methods, of which UPS specializes in with over 110,000 ground vehicles versus FedEx's fleet of 50,000.

	<b>FedEx</b>	<b>UPS</b>
<b>Market Cap:</b>	\$49B	\$99B
<b>P/E:</b>	27.29	20.31
<b>Revenue (2015):</b>	\$47.5B	\$58.4B
<b>Net Income (2015):</b>	\$1.05B	\$4.8B
<b>Share Price (11/17/16):</b>	\$185.08	\$113.49

**Source:** Steven Gasparini & Joseph Cotton on 11/18/2016 Sources: Bloomberg, Mintel, IBISWorld, Morning Star, Value Line, Statista, Yahoo! Finance

## Core Competency Of UPS:

UPS manages all its businesses, such as air, ground, domestic, international, commercial, and residential through a single pickup and delivery network. The single network structure has allowed UPS to gain competitive strengths by maximizing network efficiency and asset utilization (Wei, 2021).



## Key Resources of UPS:

<i><b>GLOBAL DAILY AVERAGE DELIVERY</b></i>	<i><b>U.S. AIR DAILY AVERAGE DELIVERY</b></i>	<i><b>INTERNATIONAL DAILY AVERAGE DELIVERY</b></i>
24.7 million  packages and documents	3.8 million  packages and documents	3.5 million  packages and documents
<b>GEOGRAPHIC COVERAGE</b>	<b>CUSTOMER BASE</b>	<b>TECHNOLOGY ENABLED</b>
More than 220 countries and territories, Every address in North America and Europe	1.7 million pick-up, 11.8 million delivery – Repetitive Customers	374.2 million online tracking requests per day
<b>RETAIL NETWORK</b>	<b>OPERATING FACILITIES</b>	<b>DELIVERY FLEET</b>
Retail access The UPS Store, over 5,300; UPS Customer Centers, approximately 1,133; Authorized outlets, more than 9,200; UPS Drop	More than 1,800 globally including USA	About 127,000 package cars, vans, tractors, motorcycles, including more than 13,000 alternative fuel and advanced technology vehicles

<p>Boxes, more than 37,000;</p> <p>UPS Access Point locations, approximately 45,000</p>		<p>UPS jet aircraft (owned and finance leases) 282 Operating leases and chartered 294 from others Daily flight segments Domestic – 1,232; International – 712 Airports served Domestic – 382; International – 413</p>
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# VRIO Analysis

## UPS Value Chain Analysis – [1]

Resource/Capability	Valuable	Rare	Costly to Imitate	Organized to Capture Value	Advantage
Daily Delivery Capacity	YES	YES	YES	YES	SUSTAINABLE COMPETITIVE ADVANTAGE
Brand Familiarity & Reputation	YES	YES	YES	YES	SUSTAINABLE COMPETITIVE ADVANTAGE
Geographic Coverage	YES	NO	YES	YES	COMPETITIVE PARITY
Scope Management	YES	YES	YES	YES	SUSTAINABLE COMPETITIVE ADVANTAGE
Technological Innovation	YES	NO	YES	YES	COMPETITIVE PARITY
Environmental Sustainability	YES	NO	YES	YES	COMPETITIVE PARITY
Delivery Fleet	YES	NO	NO	YES	COMPETITIVE PARITY / TEMPORARY COMPETITIVE ADVANTAGE

## UPS Value Chain Analysis – [2]

UPS Primary Activities [Adds Direct Value]	UPS Support Activities [Adds Indirect Value]
<b>Supply Chain Management</b> <ul style="list-style-type: none"> <li>➢ Freight &amp; Ground Shipping Services</li> <li>➢ UPS Global Procurement Team</li> <li>➢ UPS Supply Chain Solutions Business Segment</li> </ul> <b>Operations</b> <ul style="list-style-type: none"> <li>➢ <u>UPS Operates With [3] Business Segments:</u></li> </ul> [1] UPS Domestic Packaging [2] UPS International Packaging [3] UPS Supply Chain Solutions <b>Distribution</b> <ul style="list-style-type: none"> <li>➢ UPS Air &amp; Ground Network</li> <li>➢ Global Distribution Network [International &amp; Domestic]</li> </ul> <b>Marketing &amp; Sales</b> <ul style="list-style-type: none"> <li>➢ UPS holds 57% of domestic market share</li> </ul> <b>After-Sales Service</b> <ul style="list-style-type: none"> <li>➢ Online &amp; In-Person customer service representatives available 7 days a week and 24 hours a day [constant availability]</li> </ul>	<b>Research &amp; Development</b> <ul style="list-style-type: none"> <li>➢ Technology Innovation</li> <li>➢ Sustainability Solutions</li> </ul> <b>Information Systems</b> <ul style="list-style-type: none"> <li>➢ Customer Digital Delivery Status System</li> </ul> <b>Human Resources</b> <ul style="list-style-type: none"> <li>➢ Employee-Ownership Tradition Est. 1927 at UPS</li> <li>➢ Employee training &amp; development investment</li> </ul> <b>Accounting &amp; Finance</b> <ul style="list-style-type: none"> <li>➢ 2021 Revenues \$97.3 Billion</li> <li>➢ Asset Utilization Abilities</li> <li>➢ Network Efficiency Abilities</li> </ul> <b>Infrastructure, Processes, Policies &amp; Procedures</b> <ul style="list-style-type: none"> <li>➢ UPS has in place their infrastructure &amp; processes for delivery both domestic &amp; international.</li> <li>➢ Policies &amp; procedures for UPS are their Governance: "Corporate Responsibilities of UPS" [Ethical &amp; Sustainable commitments]</li> </ul>

# Value Chain Management

<b>Supply Chain Management</b>	<p>Inbound logistics in the case of UPS refers to the inflow of goods into the system and in this case the inflow of packages and parcels to be flown to various destinations throughout the world. The global network of UPS has around 150,000 entry points. The customers can tender a package using these entry points from any convenient location and at a convenient time. There are various types of entry points that the company uses including UPS drivers who can accept packages.</p> <ul style="list-style-type: none"> <li>• UPS drop boxes,</li> <li>• UPS Access Point locations</li> <li>• UPS Store locations</li> <li>• Authorized shipping outlets</li> <li>• Commercial counters, alliance locations</li> <li>• Customer centers attached to UPS facilities</li> </ul> <p>The company has also continued to expand its access point network through the US. There are 21,000 access points in the US and around 40,000 throughout the world.</p>
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<b>Operations</b>	<p>UPS is a global brand based in the United States and provides its services in all the corners of the world across 220 countries. The company has its headquarter in Atlanta, Georgia, United States. The company has divided its global operations into three segments that include US domestic small package, International small package, and supply chain, and freight. The US domestic small package is the largest business segment of UPS which accounts for the highest part of the company's revenue. UPS also runs one of the largest airlines globally. Apart from that it also has one of the largest ground networks.</p>
<b>Distribution</b>	<p>The outbound logistics of UPS include the outgoing package and cargo. UPS has established a large air and ground network that the company utilizes to deliver packages across 190 countries. The international air network of UPS is one of the largest in the world. Its central hub is located at Louisville, Kentucky. There are several regional air hubs in the US as well that support the central air hub. Flights from these hubs carry parcels and packages to various parts of the world.</p>
<b>Marketing and sales</b>	<p>UPS is a well-established brand that enjoys strong brand awareness in various corners of the world. It has built a strong reputation and an employee-centered organizational culture that focuses on employee welfare apart from the customer experience. UPS logo is easily recognizable wherever UPS operates and on UPS vehicles and equipment. Apart from that, the company has also trained its drivers to behave courteously and professionally. Its employees demonstrate</p>

	the highest level of customer dedication. The sales network of UPS includes thousands of entry points from which the customers can avail of services offered by UPS.
<b>After-Sales Service</b>	UPS offers a large range of services targeted at various segments of customers. Apart from individual customers, UPS also targets SMBs and larger e-commerce businesses through its wide array of services. In its US domestic package segment, the company offers three types of package services including Next Day Air, Deferred and Ground. It has also brought a large range of supply chain and logistics solutions for big businesses. The supply chain solutions portfolio of UPS includes forwarding, truckload brokerage, logistics, UPS freight, and customs brokerage.
	<b>Supporting Activities:</b>
<b>Technology</b>	Technology is increasingly playing a central role in driving the international expansion and faster growth of UPS and its customer base. The company uses several types of technologies including visibility, billing, and shipping technologies to support its business operations globally. With the growth of e-commerce worldwide, the company has also adopted a nice selection of returns technologies for frictionless customer experience. UPS uses several user-friendly technologies like UPS WorldShip, Quantum View, and UPS Billing Center to offer its customers a superior experience.

<b>Information Systems</b>	<p>The company has proactive information systems that provide customers with real-time status of their deliveries (Rapp &amp; Subramanian, 2010). Customers also get text alerts concerning the routes, shipment status, and timeline of the progress of their packages. They can select the type of alerts that provide enough information about the status of their deliveries. United Postal Service provides various information systems to improve its value chain including the Delivery Sequence File (CDS), Electronic Verification System (eVS), Carrier Route Information System File, Bar-coding and Address Standardization (BAS), Delivery Point Validation (DVP), and Enhanced Line of Travel (eLOT) among others (Rapp &amp; Subramanian, 2010).</p>
<b>Human Resources</b>	<p>UPS also places a heavy focus on Human resource management. Employee management and employee satisfaction have remained a key focus at UPS right since the foundation of the company. Since its foundation, UPS has adopted a distinctive employee-owner concept. It has resulted in higher dedication from the employees. The employee stock ownership tradition at UPS dates back to 1927 when UPS owners created the first employee stock ownership program that they considered vital to the foundation of a successful global business. The company invests a large sum each year in the training and development of employees. As of 2019, UPS employed 4,95,000 people worldwide.</p>
	<p>UPS has a Global procurement Team for managing its procurement function. The procurement team at UPS is responsible for selecting</p>

<p><b>Procurement</b></p>	<p>and contracting with the right suppliers for the right goods and services. UPS purchases a large range of services, supplies, equipment, and facilities from its suppliers. The company focuses on building long term relationships with its suppliers globally. The suppliers need to qualify in the following areas to become UPS suppliers:</p> <ul style="list-style-type: none"> <li>• Quality</li> <li>• Financial Stability</li> <li>• Distribution and Delivery</li> <li>• Capacity</li> <li>• Ethical Business Conduct</li> </ul>
<p><b>Firm's infrastructure including processes, policies, and procedures</b></p>	<p>The chairman and CEO of UPS is David Abney. The company is led by a management committee and a board of directors. The three business segments including US domestic, international and supply chain have presidents as heads. Apart from that, the company also manages its operations function wise like sales, human resources, legal, marketing and finances.</p>

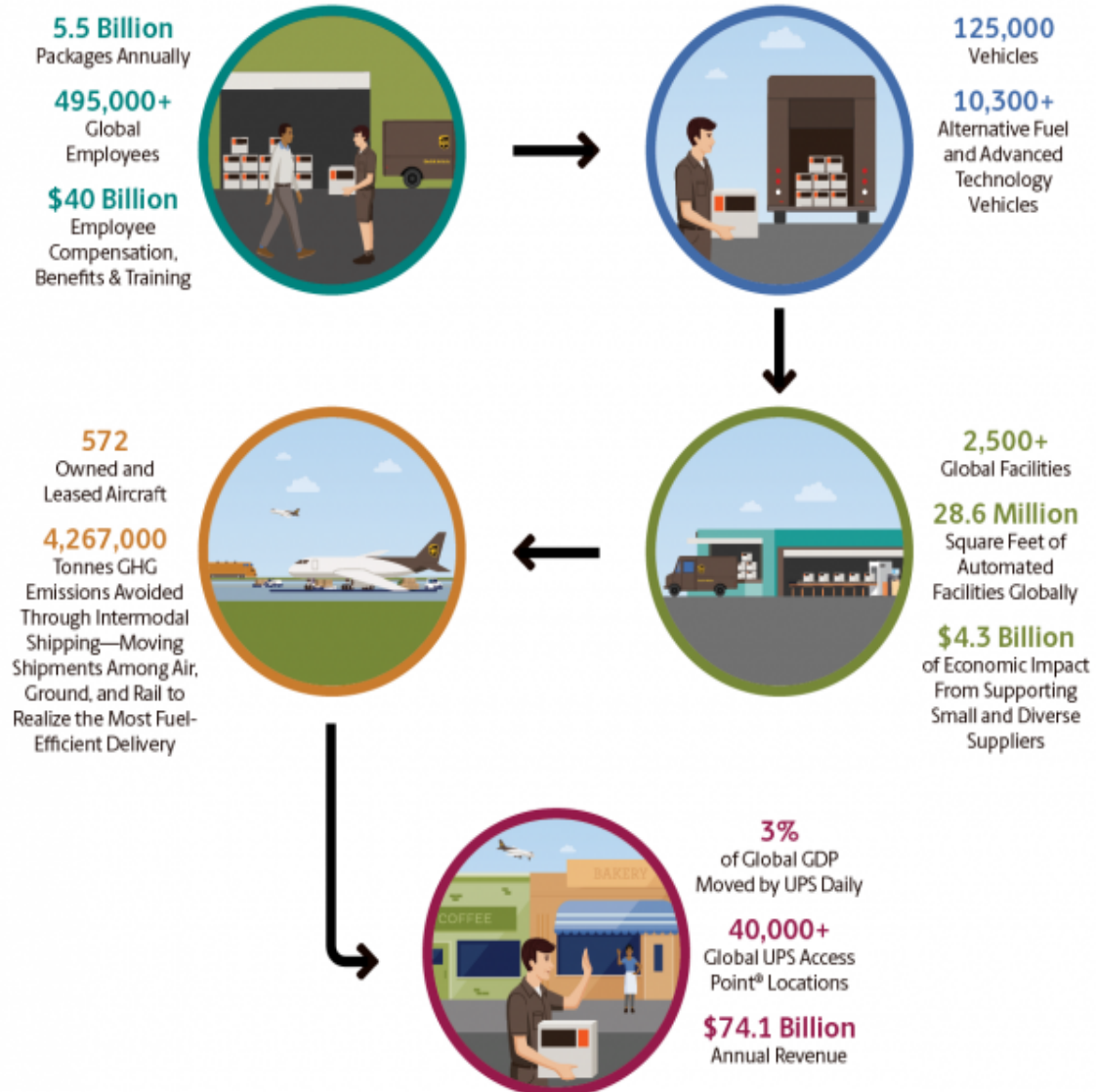
With no doubts, UPS is doing all these activities in different ways than its major competitors. FedEx is an excellent Value Chain Analysis Example for understanding how UPS can gain a competitive advantage by analyzing its human resource activities.

FedEx prioritized value chain support activities, invested heavily in employee development, implemented excellent human resource initiatives, and made visible infrastructure improvements, resulting in a noticeable increase in brand loyalty and market share.



## UPS Global Value Chain

As a global leader in logistics, we provide a broad range of solutions that transport packages and freight, facilitate international trade, and deploy advanced technology to more efficiently manage the world of business. We input the assets and capital that comprise our global logistics network in order to output the deliveries and services enabled by that network. Our service offerings include Global Small Package, Insurance & Financing, Logistics & Distribution, and Freight Forwarding. We measure impact through the economic, social, and environmental difference made by our global logistics networks.

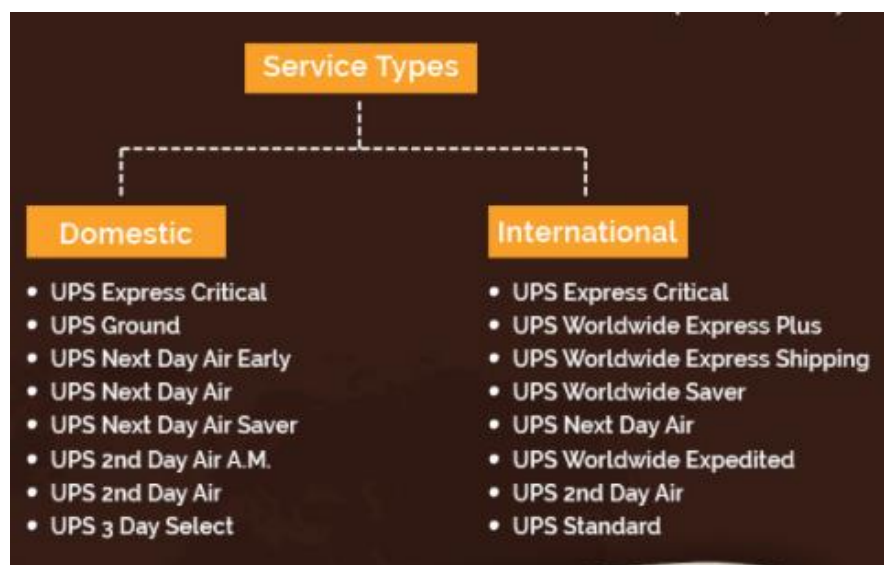


Source: [https://www.3blmedia.com/sites/www.3blmedia.com/files/other/UPS\\_Infographic](https://www.3blmedia.com/sites/www.3blmedia.com/files/other/UPS_Infographic)

# Strengths

## 1. Wide Range of Services:

UPS offers shipping services to over 140 countries and includes different options for sending such as UPS Worldwide Express and UPS Express Plus. It does have a stronger presence in economically stronger countries which increases its place in the marketplace. “In 2019, the US alone brought in \$58.6 billion while other international markets brought in \$15.4 billion” (Shastri, 2021). UPS cares a lot for the consumer and their needs by also offering services to pack and ship packages themselves. It has a great supply chain management and provides an immense number of solutions for consumers worldwide.



Source: <https://www.lateshipment.com/blog/overview-of-fedex-ups-and-dhl/>

## 2. Innovative Technology Use:

UPS offers a tracking service which is very advanced and tracks about 300 million deliveries a day. They invest very highly in technology, transportation, and their plants. In fact, they invested “...\$20 billion to build its Southeast Metro Automated Routing Terminal (SMART) logistics network facility in Atlanta, which connects all systems and equipment in its entire network,” which ensures its deliveries operations running on seamless distribution




mechanisms. The Chief Information Officer of UPS, Juan Perez, developed a smart logistics network to be able to deliver each package on time. He even won the Forbes CIO Innovation Award for it.

### 3. Affordable Pricing:

As the number of competitors increase in the marketplace, UPS has always been great in their pricing options for consumers worldwide. They offer premium quality for a reasonable price which is beneficial in attracting and retaining customers. They are most known for their pricing for domestic packages but, they also offer great pricing for overnight shipping.

UPS Daily Rates VS UPS Retail Rates			
Services	Daily Rates	Retail Rates	Daily Rate Advantage
UPS Next Day Air Early A.M.	\$115.82	\$115.50	-0.3%
UPS Next Day Air	\$85.82	\$85.50	-0.4%
UPS Next Day Air Saver	\$82.58	\$82.28	-0.4%
UPS 2nd Day Air A.M.	\$40.03	\$39.20	-2.1%
UPS 2nd Day Air	\$34.81	\$34.18	-1.8%
UPS 3 Day Select	\$24.21	\$25.00	3.2%
UPS Ground	\$12.27	\$13.75	10.8%
Zone 5, 5 lb Package			



Source: <https://www.refundretriever.com/blog/ups-daily-retail-rates>

### 4. Timely Deliveries:

UPS provides many means necessary for a fast and effortless delivery. They do this by streamlining its operations with the use of handheld devices for the purpose of communication, scanning packages, and even having customers sign for their packages. It also has the services for GPS navigation and rerouting technologies which make it easier for deliveries to reach the warehouse or destination on time. They have also been known by customer service surveys to have faster deliveries than its competitors. “In 2018 UPS delivered 5.2 billion packages and

documents worldwide and delivered 20.7 million packages and documents daily (Gupta, 2022). There were over 180 million daily tracking requests on ups.com” (Akram, 2022).

## **5. Customer Service:**

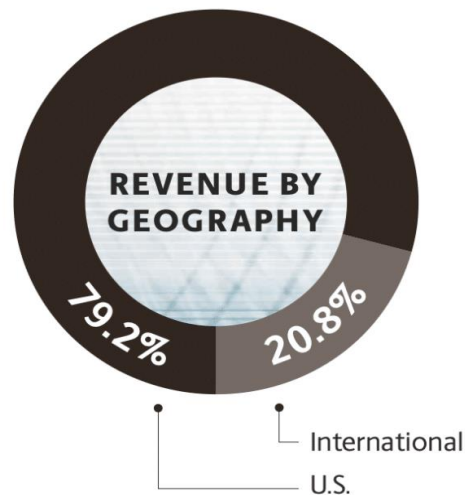
As mentioned earlier, UPS cares for their customers and wants to provide them the best services. This is a main reason why consumers have not switched to other competitors such as FedEx and USPS because of their importance to retain customers. They provide a customer service phone number from the hours of 6:00AM to 1:00AM all seven days of the week for questions and concerns. They even have another phone number open for all international shipping inquiries, all days of the week, 24 hours a day.

## **Weaknesses**

### **1. Dependence on Domestic Market:**

Even though UPS has an international market, they earn most of their revenue from domestically shipped packages. In 2019 alone, international delivery produced about \$15.41 billion, whereas domestic delivery produced \$58.6 billion. Since a large portion of their revenue, about 74%, is generated by packages shipped throughout the United States, they are highly dependent on those services.

Therefore, without the cooperation of the US government, UPS cannot run their business both effectively and efficiently. Political distress can change international policy, which, if unfriendly, can negatively impact the growth of UPS. For example, the Russian and Ukraine war is affecting trade internationally, and due to Biden’s sanctions on Russia, companies like UPS have to follow more regulations to meet compliance. Politics can thus make or break the situation for UPS.



Source: <https://bstrategyhub.com/ups-swot-analysis/>

## 2. Holiday Season Cost:

During Christmas, the company hires more than [100,000](#) seasonal employees every year, which increases its cost of generating revenue. Even though they earn more capital during the peak season, it does not benefit them much as most of the money earned is used for hiring and paying new employees. One possible solution to this problem would be to hire employees permanently with a 6-month contract every year.

It is hard to implement such a policy as most workers would like to work for the whole year instead. But there are some individuals who I am sure would not mind working on a 6-month contract. Examples such workers would be housewives, college students, and many more. Therefore, this policy would increase the profit of UPS by decreasing its cost of recruiting new employees yearly.

## 3. Vulnerable To Lawsuits & Policies:

Since UPS is an international company with around [543,000](#) employees, the likelihood of facing lawsuits is high. The more employees the company has the harder it is to implement and

maintain compliance. Moreover, since the company has business internationally, it must adapt to new regulations worldwide on an ongoing basis. Tracking thousands of policies and regulations is a difficult job, and it is easy to make mistakes, which can still make the company lose capital.

Establishing and maintaining operational and safety protocols is essential for UPS to function effectively and efficiently. Yet, with the rapidly changing dynamic environment, the company kept changing its plans to adapt and meet federal, local, state, and international requirements. COVID is one example of dynamic change that influenced UPS employees by requesting them to stay home to quarantine even when UPS needed employees to deliver packages. There was an employee shortage due to this dynamic change, and on top of that, the company needed to adapt to new COVID symptom screening requirements and follow other policies.

## **Conclusion**

Phase #2 provided our team with important internal analytical insights. We outlined the **core competencies, resources, value chain analysis, and strengths & weaknesses**. Beginning phase 2, we researched core competencies presenting the unique strengths that allow potential to differentiate. Outlining intangible and tangible key resources was helpful to understand the internal operations and a value chain analysis. Conducting a value chain analysis allowed our team to understand the internal activities employed when transforming inputs into outputs.

We were able to gain significant takeaways from our internal analysis regarding specifically competitive advantages and weaknesses. The competitive advantage UPS has to offer helped explain their success and incumbent advantage against competitors within today's courier market. There were three significant notable sustainable competitive advantages, [1] Daily Delivery Capacity, [2] Brand Familiarity & Reputation, [3] Scope Management. On the

other hand, the weakness of UPS gave significant insights into their areas of improvement, with domestic business segment dependency being the most important.

In conclusion, UPS should improve certain primary activities such as supply chain management, marketing, sales to improve their significant weakness of domestic business segment dependency. It is essential for UPS moving forward to enhance its ability to keep up with globalization and adapt to various market changes. The courier market has increased in popularity since the global pandemic COVID-19, shifting consumer behavior incentives to e-commerce. New societal norms around e-commerce increase demand for courier services like UPS, making any future improvements crucial to company success.

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