



**5 SECRETS**  
**UPS & FEDEX**  
**DON'T WANT**  
**YOU TO KNOW**



# 5 SECRETS

## UPS & FEDEX DON'T WANT YOU TO KNOW

Lojistic • 3200 Park Center Drive • Suite 500 • Costa Mesa, CA • 92626 • (800) 783-5753

### 1. UPS & FedEx overcharge by multiples for Declared Value protection.

UPS and FedEx Declared Value services produce big profit margins for the carriers as a result of the steep premium they assess to protect the value of a shipment. Instead of purchasing Declared Value protection from UPS or FedEx, consider a third party insurance solution. While UPS and FedEx charge \$0.90 for each \$100 unit of Declared Value, you can easily find an alternative service for \$0.40 per \$100 of coverage. For a shipment having a \$2,000 value, you would pay \$18.00 to protect its contents with UPS and FedEx. With an alternative insurance solution, you'll pay around \$8.00 to protect the same value. That translates to a 56% cost savings.

The saving percentage is even bigger for lower value shipments. Both carriers state that the first \$100 of Declared Value coverage is automatic and free. A little known fact is that they will charge you for the first \$100 of declared value (as well as each \$100 unit thereafter) if you state a value over \$100. In other words, it becomes NOT free when you use their Declared Value services. Additionally, UPS and FedEx assess a minimum charge of \$2.70 per shipment for Declared Value services. For example, if you declare a shipment value of \$172, the FedEx/UPS minimum charge will apply. The alternate solution referenced above, with no minimum, would only cost \$0.80. The savings in this example is a whopping 70%.

[Check out this handy Insurance Cost Calculator.](#)



### 2. UPS & FedEx stick it to you if you use the wrong packaging.

UPS and FedEx have fine print that can trip up even the savviest shipper. For instance, if you ship a letter priority overnight (less than 8 oz.) in a FedEx Envelope you get one price, but if you ship the same letter in a FedEx Pak you pay another. How much? A letter shipped via Priority Overnight from east to west coast (zone 8) in a FedEx Envelope runs up a cost of \$37.30 (non-discounted published rates), but that same shipment in a Pak costs a whopping \$59.90.

With the Dimensional (DIM) Weight changes in 2015, effective cube utilization (use of space within a box) and packaging optimization is essential. By subjecting ALL packages to DIM pricing, the carrier can now charge extra for inner package space occupied by fillers and/or air that was previously exempt from DIM pricing. For example, prior to 2015 a UPS/FedEx ground package with dimensions 18" x 16" x 14" was not subject to DIM weight pricing. If the actual weight of the package is 5 lb, and it was shipped to zone 8 on published rates, the cost would have been \$11.70. With the new DIM rules, this same package is now subject to dimensional weight, resulting in a billable weight of 25 lb at \$28.88. That's a 147% increase!

[Use this Rates Calculator to create a rate sheet with your custom discounts to see where costs jump up.](#)





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### 3. Your 'Next Day Air' shipment might not be any faster than a ground service but UPS & FedEx make more money on it.

So, you think sending a shipment from New York City to Washington DC via air service would arrive faster than ground service, right? Wrong! Both services are guaranteed to arrive overnight. In fact, both services will most likely use the same truck(s) between the two cities. So what's is the difference? The 'Air' service level is 3 to 4 times more expensive. In 2015, a 1 lb shipment between the two points costs \$6.61 for UPS Ground (Daily Rates), and \$25.15 for UPS Next Day Air. Depending on the destination, the Next Day Air shipment might arrive earlier in the day (10:30 AM versus end of day) but most shipments, including ground shipments, are often times dropped off early in the day in order to clear room for afternoon pickups. If you need it there overnight and are shipping a distance of approximately 150 miles or less (check transit times to be sure), use a ground service instead of air to save a boatload of cash!

Try comparing the cost of UPS or FedEx service levels with this [Rate Comparison Calculator](#).



### 4. Discounts are available on almost all carrier rates and fees, but you have to know how to ask and what to ask for.

Carriers do not use a uniform "one size fits all" approach for determining the level of shipping discounts and incentives offered to one shipper versus the next. Carrier pricing agreements are in large part custom and unique to the specific shipper for which they were created. Some shipping characteristics (i.e. high volume residential shipping) are less attractive to the carriers than others. Consequently, pricing dynamics are always changing and there are many variables that will affect your negotiated carrier discounts.

Carriers typically use "relationship" and "value-add services" as one of their compelling arguments against further rate improvements. Shippers that have had a long-standing relationship with the same carrier and/or a high level of integration with their carrier are often the ones paying more than they should be. Let your carrier know that creative value-add services are welcome in their bid process but will be considered to a lesser degree than competitive discounts and incentives.

Get a second opinion...it never hurts! Companies like Lojistic, with keen analytic tools and extensive carrier pricing knowledge, can be very helpful as an unbiased resource to determine how "great" the carrier's discounts really are.

Try running different discount scenarios with this [UPS & FedEx Rates Calculator](#)





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### 5. UPS & FedEx love to advertise service guarantees, but they hate making good on them.

Overall, UPS and FedEx do a great job hitting their delivery commitments. Together, they ship over 25 Million packages a day, generally with over 97% on time reliability. Even so, if 3% of shipments are not delivered within the service guarantee, that's over 75,000 late shipments each day! Surprisingly (or maybe not) only a small fraction of late shipments are claimed for a refund. Why? The burden of requesting and validating the service failure is the shipper's responsibility. Ironical, isn't it? UPS and FedEx use sophisticated tracking technologies that can pinpoint the precise time a package is delivered. They know when they deliver a package late and have the ability to apply a credit for that shipment for not meeting their guaranteed delivery commitment. However, to secure a refund, the shipper has to audit each invoice line by line, identify the late shipments, execute the steps to submit for credit, and then ensure the refund is received. Sound like a pain? It's supposed to be, which is why it doesn't always happen.

If you ship packages regularly, you are leaving money on the table by not claiming service failure refunds. There are numerous additional service related charges that can appear on your invoice that present refund opportunities. If you don't have the manpower and technology to do it in-house, consider outsourcing to a reputable auditing company. No matter how you go after your refunds, the sooner you start, the sooner you will begin realizing the refunds that are rightfully yours.

Play around with this audit calculator to get an idea of how much you could recover by auditing your shipping invoices. 



**LET US UNLOCK YOUR SAVINGS POTENTIAL!**

**Our Savings Demo Is Quick And  
Will Demonstrate How To Significantly  
Reduce Your Shipping Costs.**

**[CLICK HERE TO SCHEDULE A DEMO](#)**