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Compare and Contrast

Finding the Differences and Opportunities in the
FedEx and UPS 2024 General Rate Increases

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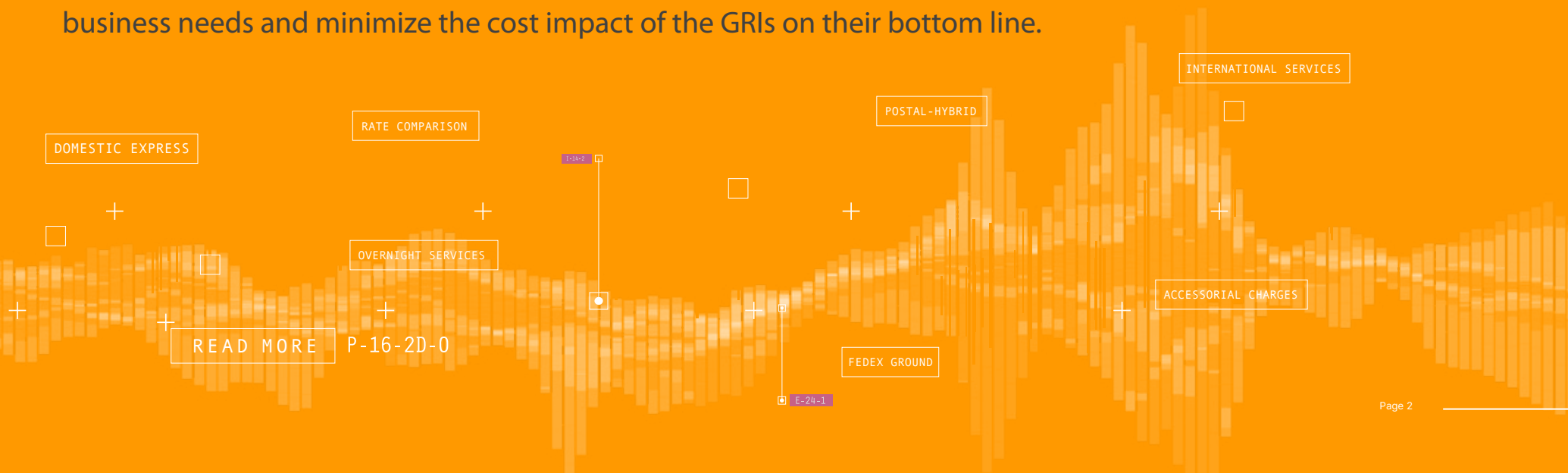
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With the FedEx and UPS general rate increases (GRI) in the books, now is the time for companies to make sure they understand the impact the GRIs will have on their 2024 parcel shipping costs, while also finding ways to use the rate changes to their advantage.

Because in parcel shipping, as in life, with change comes opportunity!

The small package experts at TransImpact are proud to publish one of our most popular analyses of the year, comparing the GRI announcements from FedEx and UPS. **The main goal of the report is to identify where key areas of costs differ by carrier**, so that savvy shippers can develop carrier strategies tailored to their business needs and minimize the cost impact of the GRIs on their bottom line.



Highlights from TransImpact's 2024 GRI Comparison Report include:

1

In 2024, most shippers will find that FedEx is slightly cheaper on domestic services overall. However, UPS is less expensive for international shipping for most services and regions.

2

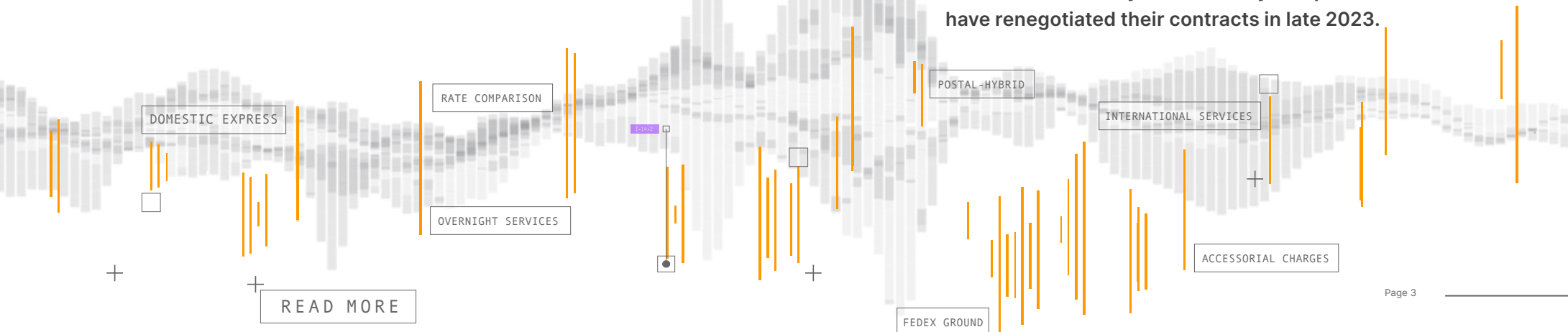
The overall cost advantage that FedEx has offered companies compared to UPS in the past is smaller, generally speaking.

3

The two carriers are now aligned on pricing more than ever, with most changes in 2024 following the trend from past years. In other words, there are important details to understand but no big surprises.

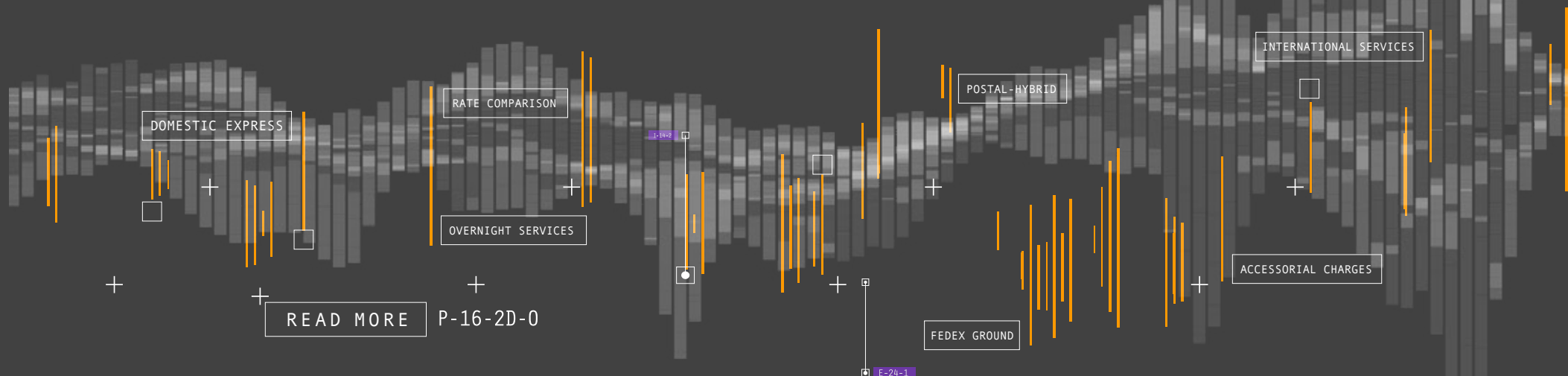
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FedEx and UPS are fighting for business to offset demand and volume declines. Since pricing is so similar right now, it suggests the carriers may need other levers to generate revenue. There is a lot pointing to it becoming a shipper's market, the start of which has already been seen by companies that have renegotiated their contracts in late 2023.



Keep in mind that the statement that FedEx rates are lower overall is just a generality. Keep reading to understand important details, such as the “faux advantage” FedEx may appear to hold on its Ground Economy service. Our closer look will explain how and why that advantage can be offset by the Delivery and Returns Surcharge.

***A note on methodology:** For this report, TransImpact analyzed three years of parcel rates, including those presented in the 2024 GRIs from both carriers. The term **advantage** is a reference to a lower price for the comparable product detailed at the weight and zone level, or surcharge. A positive percentage indicates FedEx offers a favorable cost compared to UPS, and a negative percentage indicates UPS is lower by that amount. Readers may note that comparisons of some common services and surcharges are not explored in detail in this report when the rate difference is negligible. Ground Services is one prominent example, because there is a less than .5% difference in rates between FedEx and UPS.



Domestic Express



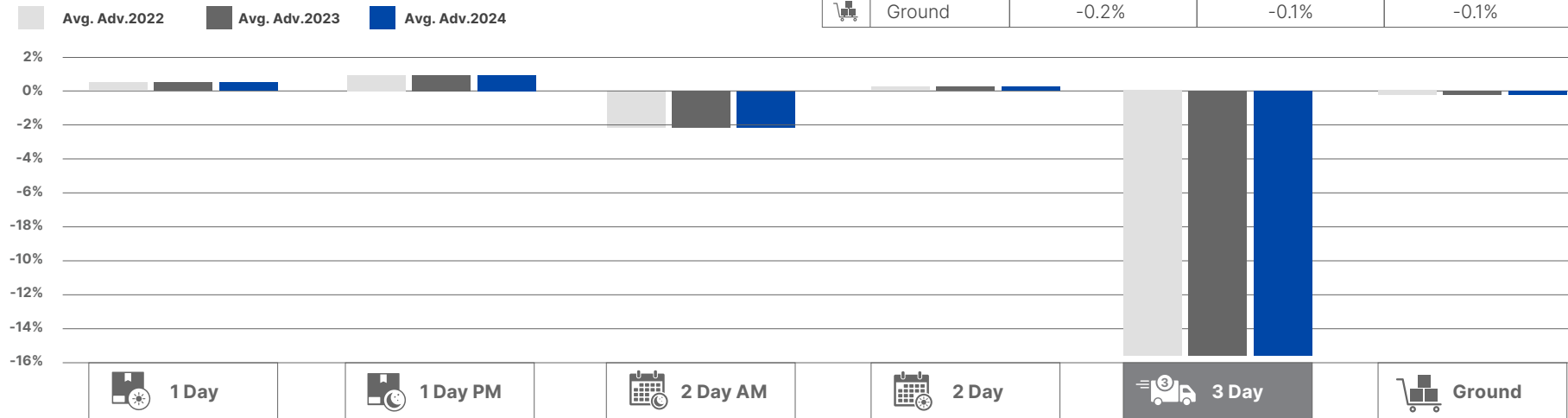


Rate Comparison by Service

Inflation has long influenced the GRIs, and as the illustration shows, the size of the cost advantage or disadvantage held by either carrier depending on service has not changed for the past three years. But don't be concerned for the carriers.

At the level of service, most rate differences between the carriers will remain similar (2% or less) in 2024, with FedEx being less expensive altogether. **The one notable exception is that FedEx Three Day Express Saver is 15% more expensive than the UPS equivalent, which contrasts with the advantage FedEx offers customers in other overnight services.**

A positive percentage indicates FedEx offers a favorable cost compared to UPS, and a negative percentage indicates UPS is lower by that amount.



Overall FedEx Domestic Advantage Trend

This extreme divergence in costs is largely attributable to the different ways FedEx and UPS operate their networks. The FedEx network is operated as two distinct parts (Express and Ground), and Three Day Express Saver sits on the fence between the two, making that level of service more expensive to execute compared to UPS. Until that changes, shippers can expect FedEx's Three Day Express Saver to be noticeably more expensive than UPS's offering.

| Group | Avg. Adv. 2022 | Avg. Adv. 2023 | Avg. Adv. 2024 |
|----------|----------------|----------------|----------------|
| 1 Day | 0.5% | 0.5% | 0.5% |
| 1 Day PM | 1.0% | 1.0% | 1.0% |
| 2 Day AM | -2.1% | -2.1% | -2.1% |
| 2 Day | 0.2% | 0.2% | 0.2% |
| 3 Day | -15.6% | -15.6% | -15.6% |
| Ground | -0.2% | -0.1% | -0.1% |

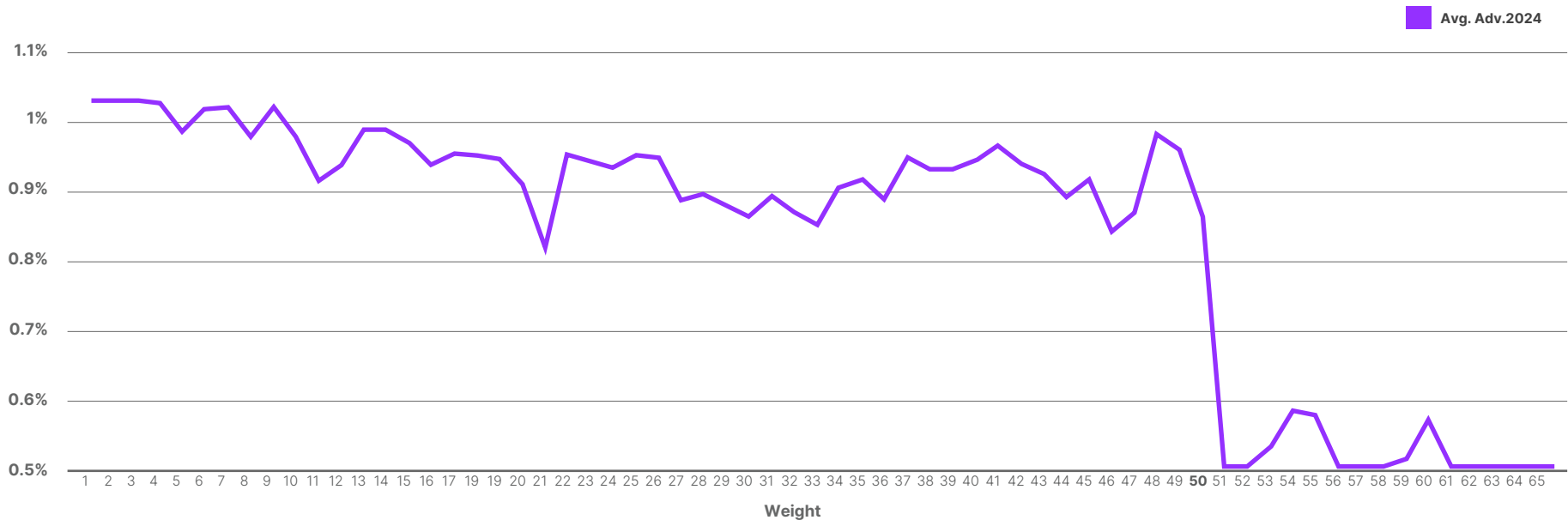


Overnight Services

The price advantage FedEx offers for overnight services is nuanced, and shippers should make a point to better understand how costs are impacted.

As this chart details, the rate advantage FedEx offers customers lessens or is eliminated at heavier weights and when additional handling charges are applied.

How interdependent are these two factors? Only FedEx knows, but shippers expecting to save money over UPS for these services should know that the advantage is virtually nullified for most **shipments over 50 lbs.**



Overnight Services Advantage by Weight



Domestic Minimums

Excluding Express Saver service, FedEx Minimums remain generally lower than UPS in 2024.

However, even though the 2024 GRIs from both carriers are softer than in 2023, shippers should be aware that 2024 Overnight/Next Day Minimums are increasing nearly 8% year over year. While FedEx still offers a slight cost advantage on Overnight Minimums, customers of both carriers are highly likely to incur Overnight/Next Day Minimums, with the charge representing their primary service-related cost increase for 2024.

This will be especially true for FedEx shippers who do not have capped Minimums that may also be discounted as a dollar amount and not as a percentage.

For more information, please refer to TransImpact's FedEx and UPS 2024 General Rate Increase analyses.

A positive percentage indicates FedEx offers a favorable cost compared to UPS, and a negative percentage indicates UPS is lower by that amount.

| | FedEx Service | UPS Service | 2022 Advantage | 2023 Advantage | 2024 Advantage | UPS 2024 Min. | FedEx 2024 Min. |
|--|-----------------------------------|-------------------------------------|----------------|----------------|----------------|---------------|-----------------|
| | FedEx First Overnight | UPS Next Day Air® Early | -0.98% | -0.88% | -0.79% | \$70.40 | \$70.96 |
| | FedEx Priority Overnight | UPS Next Day Air® | 1.05% | 1.08% | 1.10% | \$40.40 | \$39.96 |
| | FedEx Standard Overnight | UPS Next Day Air Saver® | 1.02% | 1.03% | 1.04% | \$36.79 | \$36.41 |
| | FedEx 2 Day AM | UPS 2nd Day Air A.M.® | -1.66% | -1.66% | -1.62% | \$26.68 | \$27.12 |
| | FedEx 2 Day | UPS 2nd Day Air® | 1.00% | 1.02% | 1.01% | \$24.07 | \$23.83 |
| | FedEx Express Saver | UPS 3 Day Select® | -30.66% | -30.62% | -30.59% | \$15.25 | \$21.97 |
| | Ground | Ground Commercial | 0.00% | 0.00% | 0.00% | \$10.70 | \$10.70 |
| | FedEx Grd. Econ. less than 1 lb. | UPS SurePost less than 1 lb. rates | 4.06% | 3.66% | 2.62% | \$10.98 | \$10.70 |
| | FedEx Grd. Econ. 1 lb. or greater | UPS SurePost 1 lb. or greater rates | 4.81% | 4.46% | 4.39% | \$11.17 | \$10.70 |

Domestic Minimums Advantage Trend

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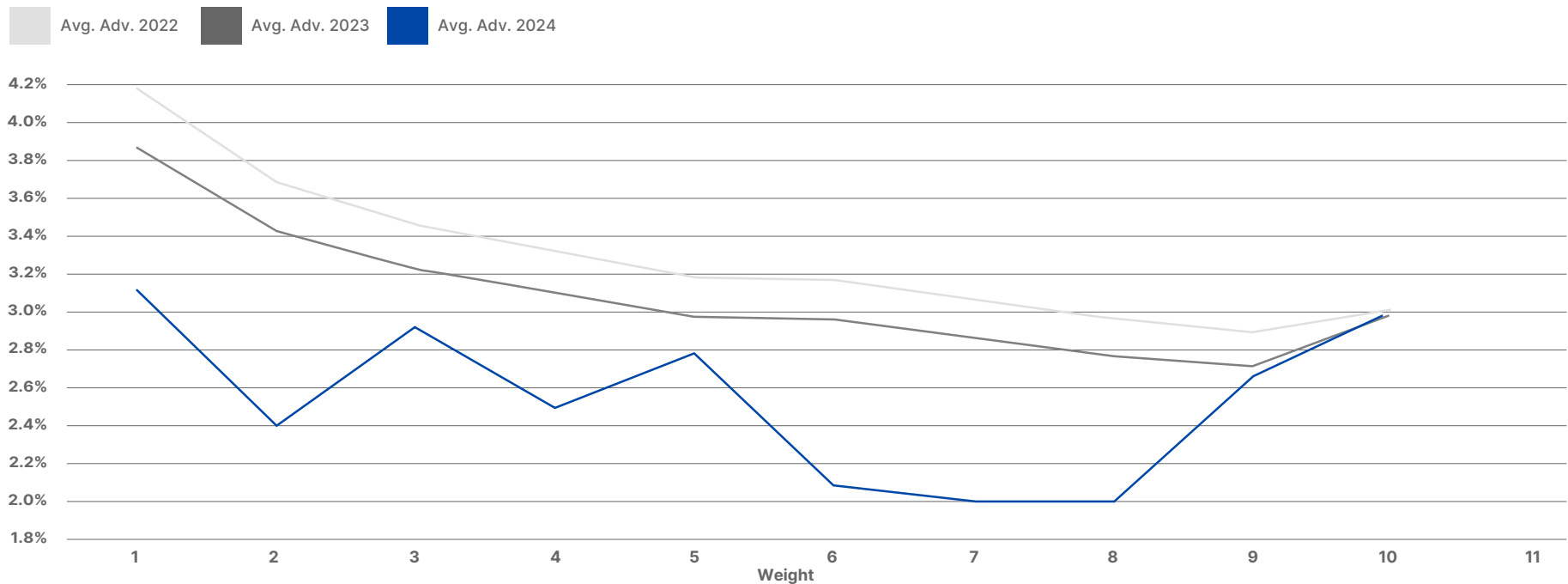
FEDEX GROUND



FedEx Ground Economy Advantage

FedEx Ground Economy will continue to be less expensive than UPS SurePost in 2024, but the difference will be slighter. This illustration compares the cost of both services from 2022 to 2024. Since FedEx brought the legacy “SmartPost” service in-house (parting ways with the USPS) and rebranded it, the pricing of both services has mirrored traditional Ground rates, with UPS remaining slightly higher. Small rate variances in Minimum charges and at lighter weights are where FedEx can offer cost savings compared to UPS.

However, any cost advantage with FedEx can disappear quickly when a Delivery and Returns surcharge of \$1.05 is applied to Ground Economy shipments. For any company without a discount on this surcharge, it ultimately negates the cost advantage of using FedEx.



FedEx Ground Economy Advantage by Weight



Postal-Hybrid Service Accessorials

Ground Economy and SurePost accessorial charges will continue to vary greatly in 2024, both in amount and in how they are applied.

The most notable difference is the FedEx Delivery and Returns Surcharge, but other accessorials are largely determined based on shippers' specific package characteristics. For instance, UPS shippers with a bulky SurePost package may be avoiding FedEx's Delivery and Returns Surcharge but are facing other potential fees, such as the hefty Non-Standard Cube Charge.

Companies should remember that UPS changed its Non-Machinable charge in March of 2023, breaking it into three different "Non-Standard" charges, including the Non-Standard Cube Charge. The cost for each charge varies from \$2.00 to \$18.00 per package, in contrast to FedEx's single, comparable Non-Machinable charge of \$6.05 per package.

Also notable is that FedEx's Delivery and Extended Delivery Area surcharges for Ground Economy remain more expensive than UPS SurePost's comparable surcharges.

| Carrier Advantage | FedEx 2024 Price | Surcharge | UPS 2024 Price |
|-------------------|------------------|----------------------------------|----------------|
| | \$1.05 | Delivery and Returns Surcharge | \$0.00 |
| -5.6% | \$3.80 | DAS | \$3.60 |
| -12.2% | \$5.05 | Extended DAS | \$4.50 |
| | \$6.05 | Non-Machinable | N/A |
| | N/A | Non-Standard Cube Charge | \$18.00 |
| | N/A | Non-Standard Length Charge | \$2.00 |
| | N/A | Non-Standard Extra Length Charge | \$6.00 |

A positive percentage indicates FedEx offers a favorable cost compared to UPS, and a negative percentage indicates UPS is lower by that amount.

Postal-Hybrid Accessorial Comparison

International Services




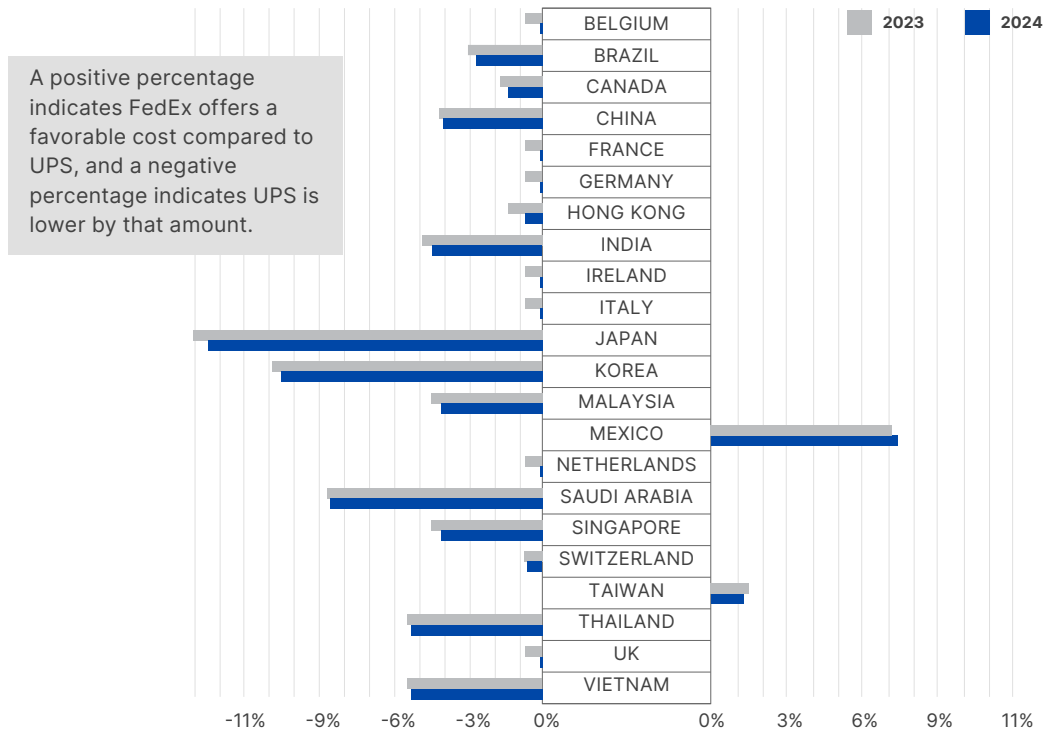


International Express Imports Comparison

In 2024, FedEx Imports are on average 3% more expensive than UPS, while Exports are an average of 1.8% more costly. With a few exceptions, FedEx customers will pay less of a premium on International shipments compared to UPS, bringing the carrier's International shipping rates more in line with UPS, especially for Export shipments, where rate differences are reduced in all lanes.

There are only a few areas where FedEx has lower International rates than UPS. These include two Import lanes: Mexico and Taiwan, and, new as of this year, Exports to India. Generally speaking, UPS holds its largest rate advantage over FedEx in the APAC region. Companies should continue to monitor the impact of International Demand surcharges on their costs.

|  Country | 2023 Advantage | 2024 Advantage |
|---|----------------|----------------|
| BELGIUM | -0.71% | -0.41% |
| BRAZIL | -3.04% | -2.95% |
| CANADA | -1.72% | -1.59% |
| CHINA | -4.34% | -4.16% |
| FRANCE | -0.71% | -0.41% |
| GERMANY | -0.71% | -0.41% |
| HONG KONG | -1.45% | -0.96% |
| INDIA | -4.99% | -4.53% |
| IRELAND | -0.71% | -0.41% |
| ITALY | -0.71% | -0.41% |
| JAPAN | -13.12% | -12.46% |
| KOREA | -10.95% | -10.59% |
| MALAYSIA | -4.58% | -4.25% |
| MEXICO | 6.02% | 6.37% |
| NETHERLANDS | -0.71% | -0.41% |
| SAUDI ARABIA | -8.79% | -8.64% |
| SINGAPORE | -4.58% | -4.25% |
| SWITZERLAND | -0.96% | -0.88% |
| TAIWAN | 2.50% | 1.40% |
| THAILAND | -4.58% | -4.25% |
| UK | -0.71% | -0.41% |
| VIETNAM | -4.58% | -4.25% |




Express Imports Service Lane Comparison by Year

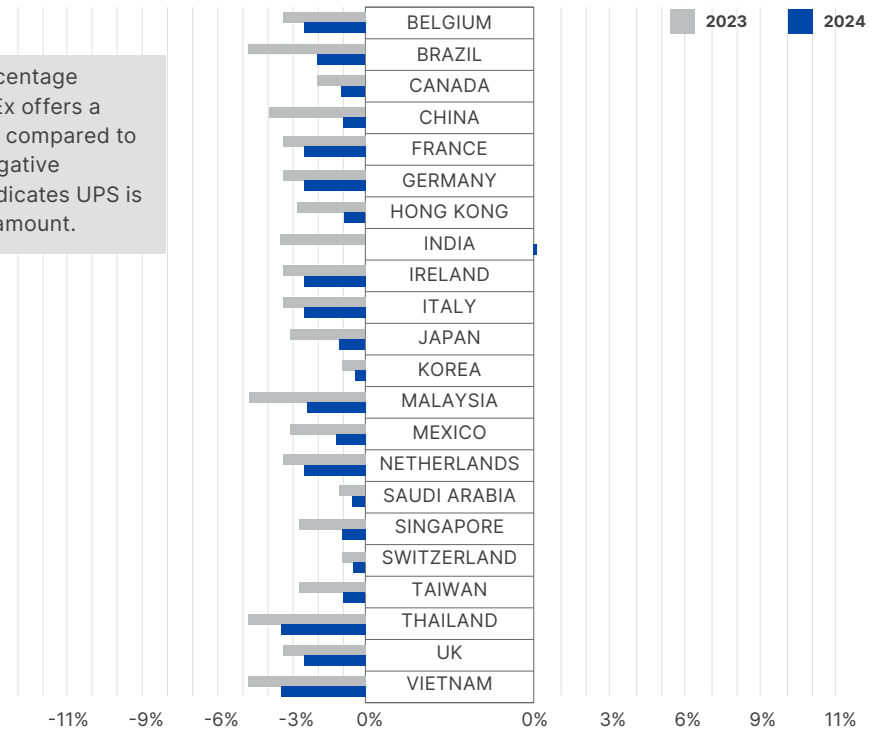
Express Imports Service Lane Comparison by Year



International Express Exports Comparison

|  Country | 2023 Advantage | 2024 Advantage |
|---|----------------|----------------|
| BELGIUM | -3.41% | -2.62% |
| BRAZIL | -4.76% | -2.19% |
| CANADA | -2.12% | -1.27% |
| CHINA | -3.96% | -1.18% |
| FRANCE | -3.41% | -2.62% |
| GERMANY | -3.41% | -2.62% |
| HONG KONG | -2.73% | -1.09% |
| INDIA | -3.51% | 0.27% |
| IRELAND | -3.41% | -2.62% |
| ITALY | -3.41% | -2.62% |
| JAPAN | -3.16% | -1.25% |
| KOREA | -1.30% | -0.43% |
| MALAYSIA | -4.74% | -3.52% |
| MEXICO | -3.23% | -1.36% |
| NETHERLANDS | -3.41% | -2.62% |
| SAUDI ARABIA | -1.35% | -0.58% |
| SINGAPORE | -2.73% | -1.09% |
| SWITZERLAND | -1.20% | -0.55% |
| TAIWAN | -2.73% | -1.09% |
| THAILAND | -4.74% | -3.52% |
| UK | -3.41% | -2.62% |
| VIETNAM | -4.74% | -3.52% |

A positive percentage indicates FedEx offers a favorable cost compared to UPS, and a negative percentage indicates UPS is lower by that amount.



Express Exports Service Lane Comparison by Year

Express Exports Service Lane Comparison by Year

Accessorial Charges

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ACCESSORIAL CHARGES




Accessorial Comparison

This table presents the 2024 surcharge amounts and percentage differences for UPS and FedEx.

One notable change is the FedEx Residential Surcharge for packages that were manifested as commercial shipments (a charge that previously came with a penalty that is now baked into the fee). This surcharge now matches the standard Home Delivery Residential Surcharge, hence the smaller price difference.

Companies should be used to the fact that surcharges are not applied uniformly by each carrier and can change often. It is essential to always evaluate actual costs based on your own shipping characteristics. That said, FedEx's Additional Handling and Oversize charges are uniformly more expensive than UPS, as the table illustrates.

A positive percentage indicates FedEx offers a favorable cost compared to UPS, and a negative percentage indicates UPS is lower by that amount.

|  Surcharges | FedEx 2024 | UPS 2024 | 2022 Carrier Advantage | 2023 Carrier Advantage | 2024 Carrier Advantage |
|--|------------|------------|------------------------|------------------------|------------------------|
| Residential (HDS) | \$5.55 | \$5.65 | 2.1% | 1.9% | 1.8% |
| Residential (Ground) | \$5.55 | \$5.65 | -6.7% | -4.5% | 1.8% |
| Residential (Express) | \$6.15 | \$6.20 | 0.9% | 0.9% | 0.8% |
| DAS Comm Ground | \$3.95 | \$3.95 | 0.0% | 0.0% | 0.0% |
| DAS Extended Comm Ground | \$4.90 | \$4.90 | 0.0% | 0.0% | 0.0% |
| DAS Comm Express | \$3.95 | \$3.95 | 0.0% | 0.0% | 0.0% |
| DAS Extended Comm Express | \$4.90 | \$4.90 | 0.0% | 0.0% | 0.0% |
| DAS Resi Ground | \$5.70 | \$5.70 | 0.0% | 0.0% | 0.0% |
| DAS Extended Resi Ground | \$7.70 | \$7.70 | 0.0% | 0.0% | 0.0% |
| DAS Resi Express | \$5.85 | \$5.85 | 0.0% | 0.0% | 0.0% |
| DAS Extended Resi Express | \$7.70 | \$7.70 | 0.0% | 0.0% | 0.0% |
| Additional Handling - Weight | \$43.50 | \$41.50 | -3.2% | -4.2% | -4.6% |
| Additional Handling - Length | \$30.00 | \$28.25 | -4.7% | -6.0% | -5.8% |
| Additional Handling - Width | \$30.00 | \$28.25 | -4.7% | -6.0% | -5.8% |
| Additional Handling - Pkging | \$25.00 | \$24.50 | -2.8% | -2.4% | -2.0% |
| Oversize Charge - Ground | \$205.00 | \$197.50 | -3.4% | -2.9% | -3.7% |
| Oversize Charge - Home Delivery | \$240.00 | \$235.00 | -2.9% | -2.5% | -2.1% |
| Oversize Charge - Express | \$205.00 | \$197.50 | -3.4% | -2.9% | -3.7% |
| Unauthorized OS Ground | \$1,250.00 | \$1,250.00 | 0.0% | 0.0% | 0.0% |
| Hazardous Material Ground | \$51.00 | \$51.00 | 0.0% | 0.0% | 0.0% |
| Address Correction | \$22.50 | \$21.00 | -7.7% | -7.1% | -6.7% |
| Adult Signature | \$8.15 | \$8.15 | 0.0% | 0.0% | 0.0% |
| Direct Signature | \$6.75 | \$6.75 | 0.0% | 0.0% | 0.0% |
| C.O.D. | \$20.00 | \$19.00 | 0.0% | -5.3% | -5.0% |
| Remote Area (Lower 48) | \$14.25 | \$14.15 | | -1.5% | -0.7% |

Accessorial Comparison Trend



Fuel Surcharges

UPS and FedEx Fuel surcharges were largely equal in 2023, with a few exceptions. FedEx offered a slight advantage over UPS with a lower Import Fuel Surcharge. UPS on the other hand maintained a slight advantage with its domestic Ground Fuel Surcharge.

Both carriers made several adjustments to their Fuel Surcharge tables in 2023, perhaps leading many shippers to forget the good old days of a 5%–7% fuel surcharge. For about two years running, UPS and FedEx have, through weekly-assessed fuel surcharge percentages based on the Commodity Index, maintained a surcharge floor of around ~15%. And in early December 2023 (as of the

writing of this article), UPS and FedEx both announced Fuel Surcharge table updates. FedEx's updates include its Domestic Ground and Express Fuel tables, and UPS updated its Domestic Ground table.

The below illustrations take two factors into account. First are the recent Fuel Surcharge table updates from FedEx and UPS. Second is the three most recent months of Commodity Index history: National U.S. Average On-Highway Diesel Fuel Price for Ground and the U.S. Gulf Coast Jet Fuel Price for Express. Displayed is a "look back" at trends in fuel surcharges based on the most recent Fuel Surcharge table updates from both carriers, which were based on actual commodity prices.

| Date | FedEx Domestic Express Pct | UPS Domestic Air Pct | Jet Fuel Price | Carrier Advantage |
|----------|----------------------------|----------------------|----------------|-------------------|
| 9/4/23 | 19.00% | 18.25% | \$3.02 | 4.1% |
| 9/11/23 | 19.00% | 18.25% | \$3.05 | 4.1% |
| 9/18/23 | 19.00% | 18.00% | \$3.18 | 5.6% |
| 9/25/23 | 19.00% | 18.75% | \$3.15 | 1.3% |
| 10/2/23 | 19.00% | 18.50% | \$3.11 | 2.7% |
| 10/9/23 | 18.00% | 18.50% | \$2.82 | -2.7% |
| 10/16/23 | 18.50% | 18.50% | \$2.91 | 0.0% |
| 10/23/23 | 18.50% | 17.50% | \$2.95 | 5.7% |
| 10/30/23 | 18.25% | 17.50% | \$2.86 | 4.3% |
| 11/6/23 | 18.50% | 17.25% | \$2.91 | 7.2% |
| 11/13/23 | 17.50% | 17.25% | \$2.75 | 1.4% |
| 11/20/23 | 17.75% | 16.50% | \$2.76 | 7.6% |
| 11/27/23 | 17.25% | 16.75% | \$2.66 | 3.0% |
| 12/4/23 | 17.00% | 16.25% | \$2.62 | 4.6% |

Fuel Surcharges Domestic Express & Domestic Air

| Date | FedEx Ground | UPS Ground | On-Highway Diesel Fuel Price | Carrier Advantage |
|----------|--------------|------------|------------------------------|-------------------|
| 9/4/23 | 17.00% | 16.00% | \$4.49 | 6.3% |
| 9/11/23 | 17.00% | 16.00% | \$4.54 | 6.3% |
| 9/18/23 | 17.25% | 16.25% | \$4.63 | 6.2% |
| 9/25/23 | 17.25% | 16.25% | \$4.59 | 6.2% |
| 10/2/23 | 17.25% | 16.25% | \$4.59 | 6.2% |
| 10/9/23 | 17.00% | 16.00% | \$4.50 | 6.3% |
| 10/16/23 | 16.75% | 15.75% | \$4.44 | 6.3% |
| 10/23/23 | 17.25% | 16.00% | \$4.55 | 7.8% |
| 10/30/23 | 17.00% | 15.75% | \$4.45 | 7.9% |
| 11/6/23 | 16.75% | 15.75% | \$4.37 | 6.3% |
| 11/13/23 | 16.50% | 15.50% | \$4.29 | 6.5% |
| 11/20/23 | 16.25% | 15.25% | \$4.21 | 6.6% |
| 11/27/23 | 16.00% | 15.25% | \$4.15 | 4.9% |
| 12/4/23 | 16.00% | 15.00% | \$4.09 | 6.7% |

Fuel Surcharges Ground

A few bold predictions

Even with the 2024 FedEx and UPS GRIs announced and about to take effect, there are a lot of uncertainties and potential changes for the small parcel shipping industry in 2024.

In other words, it would be a mistake for any company to take a set-it-and-forget-it approach at this point. Here are some bold predictions on additional factors for shippers.

1

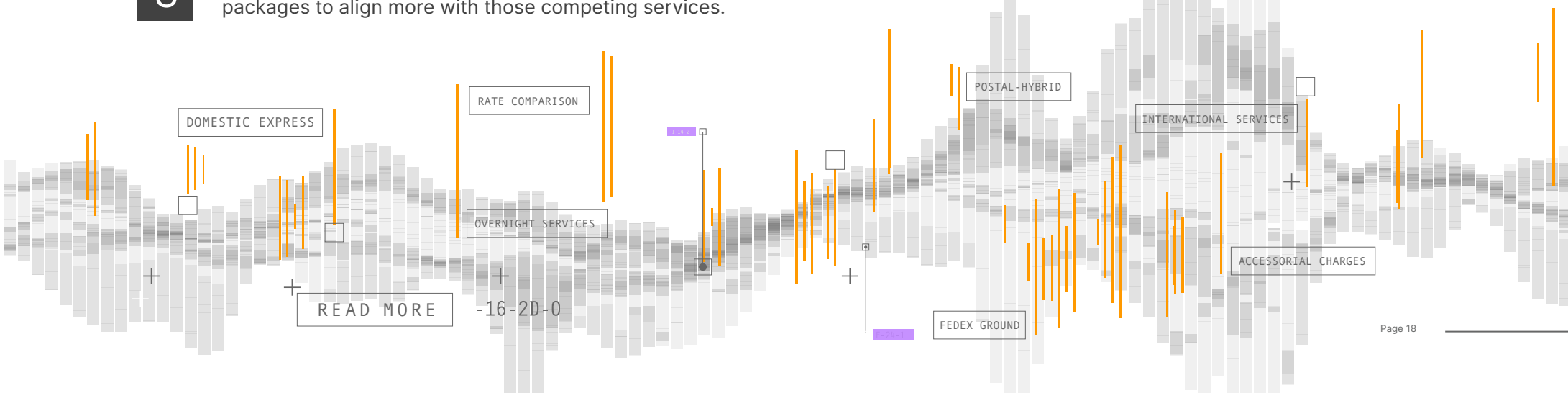
It's possible UPS and FedEx will reinstate some portions of their service guarantees, if not the full programs. The carriers are fighting for business, and a full return of the money-back guarantee may become a lever they use to win more business.

2

The carriers will likely continue with fuel tariff updates throughout the year to maintain an average ~15% floor of fuel surcharges across all service types.

3

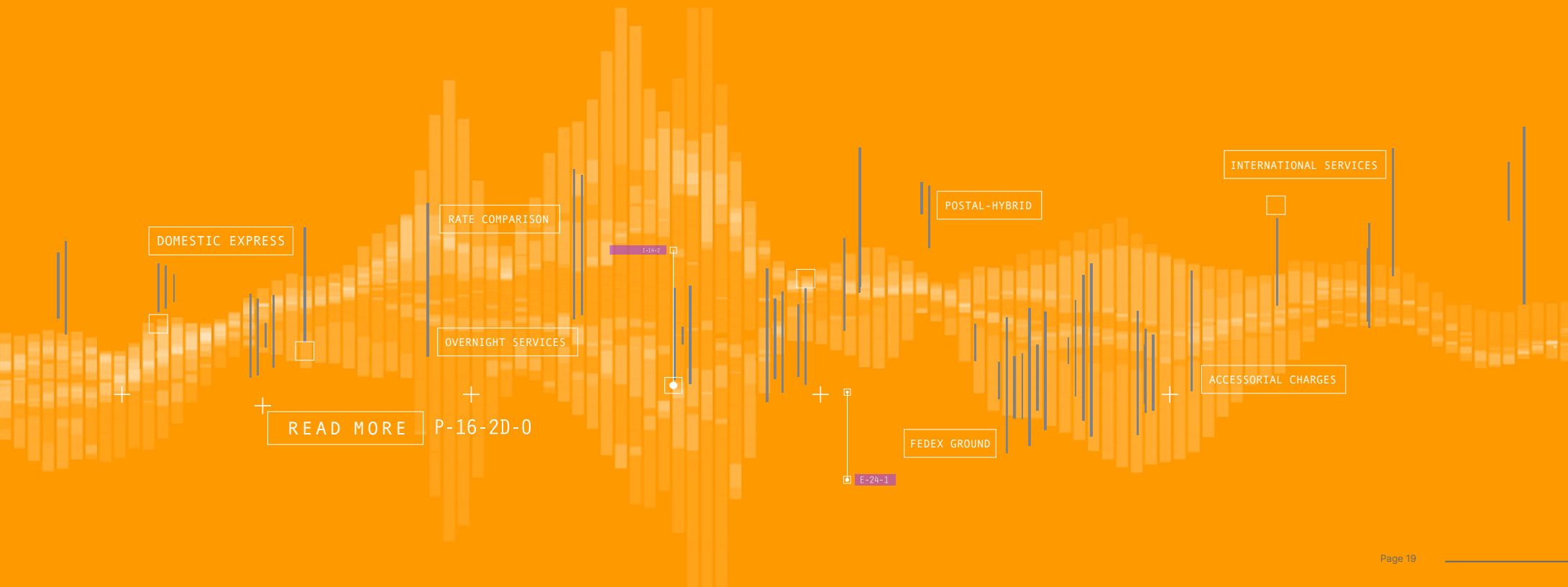
FedEx may match UPS SurePost and USPS Ground Advantage services and update its "bulky fees" tariff for Ground Economy packages to align more with those competing services.



Here's how to take advantage

If you are looking for a short answer about which carrier is less expensive, the answer is FedEx. But that only applies to the average parcel shipper — which you are definitely not.

It's a buyer's market for parcel shippers after several very difficult years, and so it's time to use the current market conditions and the changes brought by the 2024 GRIs to your advantage.



Here's our advice.

1

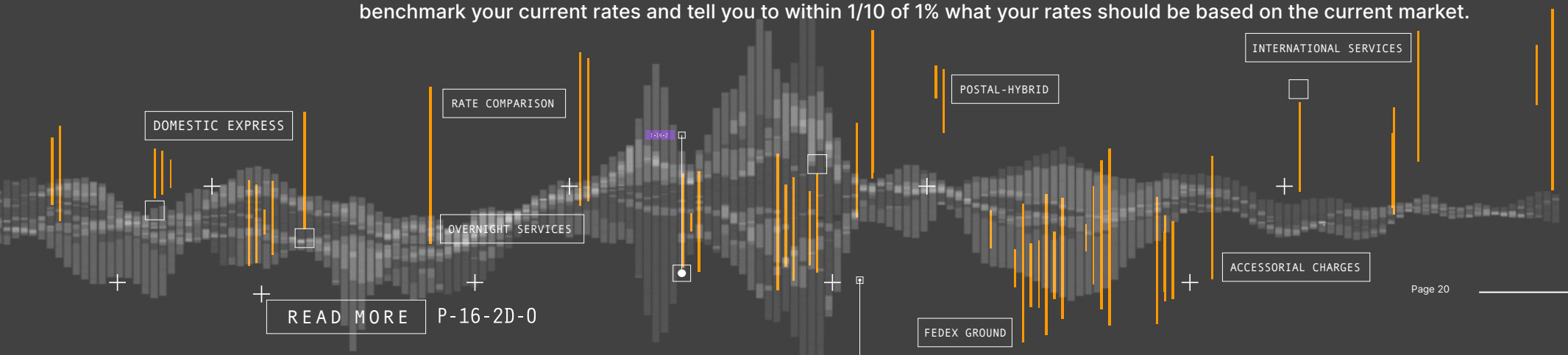
Your parcel shipping needs are specific to your company. Any difference between UPS and FedEx in rates and delivery performance depends on the services and lanes you rely on most. The best overall solution for your company is to take advantage of each carrier when it makes the best sense from a cost and delivery standpoint. In other words, you should consider employing a multi-carrier strategy where it makes sense.

2

Creating the insight to execute a multi-carrier strategy is not simple — or worse, impossible without using your shipping data. Thankfully, there are actionable insights to be gained by leveraging a leading BI and data analytics platform like TransImpact's Parcel Spend Intelligence. Beyond helping your company develop a multi-carrier strategy, the technology enables your company to find other opportunities to cost- and service-optimize your parcel operation.

3

Your negotiating leverage with FedEx and UPS is the strongest it's been in years. Renegotiate your parcel contracts armed with the information in this report and the data in your parcel operation. TransImpact's Parcel Contract Negotiation solution is a no-risk, no-cost way to make the most of this opportunity. Our experts will accurately benchmark your current rates and tell you to within 1/10 of 1% what your rates should be based on the current market.



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Start here: Contact TransImpact for a no-obligation analysis of how much the 2024 FedEx and UPS GRIs will increase your small parcel shipping costs. At no extra charge, we'll tell you how much less you could pay with a new contract and present a plan to get there.

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