White paper

Parcel shipping index

Global shipping trends put pressure on profits, but opportunities abound

While the surge that disrupted supply chains is behind us, daily shipping volumes continue to rise as per-piece costs escalate even more. Smart steps can help you safeguard your operations.

Smart shipping strategies for uncertain times.

Businesses continue to find themselves in uncharted territory. Global uncertainties, persistent inflation and a tight labor market have created new challenges for carriers and shippers alike. As economic growth slows and the possibility of a recession looms, companies are shifting their focus from revenue growth to maximizing profits.

In this challenging landscape, global parcel shipping volume continues to escalate, although at a more moderate pace than in prior years. The world currently generates a staggering 5,000 parcels per second; projections indicate that this figure may double in just a few years.

In the United States, the amount spent on shipping is growing nearly three times faster than parcel volume: 16 percent versus 6 percent.[1] That translates into an average cost of $8.54 per parcel. When your company is prioritizing profits, handling more parcels at a higher cost can seem daunting.

The Pitney Bowes Parcel Shipping Index, the most comprehensive look at parcel volume and carrier data, breaks down these ongoing trends in detail. You'll discover:

- How macro trends impact your business
- How carriers are responding and what that means to your bottom line
- The biggest risks and opportunities you face today
- What steps you can take to safeguard the success of your operations

Snapshot: US parcel shipments

21.6 billion parcels shipped

59 million parcels per day

683 parcels per second

65 parcels per person[2]

What's the state of shipping today?

After the tumult of the past two years, the parcel shipping industry remains in a state of flux. Shippers and carriers alike are struggling to cope with a combination of rising volume, capacity limits, labor shortages, higher costs and changing consumer preferences.

Parcel volume continues to increase.
Although the pace of growth in the U.S. has slowed considerably from record-high pandemic levels, parcel volume still reached 21.6 billion in 2021, a six percent increase over the previous year. This translates to 683 parcels per second, or 59 million per day. The average individual generated 65 parcels, an increase from 61 in 2020, while the average household generated 166 parcels. Parcel revenues rose faster, up 16 percent year over year to reach a record $188 billion.[3]

US consumer spending is projected to grow at a compound annual rate of 5.6 percent through 2025, a fact reflected in the Pitney Bowes Parcel Shipping Index.[5]

Ecommerce is here to stay.
Predictions that ecommerce sales would dwindle significantly when brick and mortar stores reopened have not come true. Consumers clearly value the convenience of online shopping, and free shipping increases the attraction. Technology improvements, new payment options and the ability to customize delivery have also enhanced the customer experience, leading Morgan Stanley to forecast that ecommerce will comprise an increasingly large share of retail sales, growing from 23 percent now to 31 percent by 2026.[4]

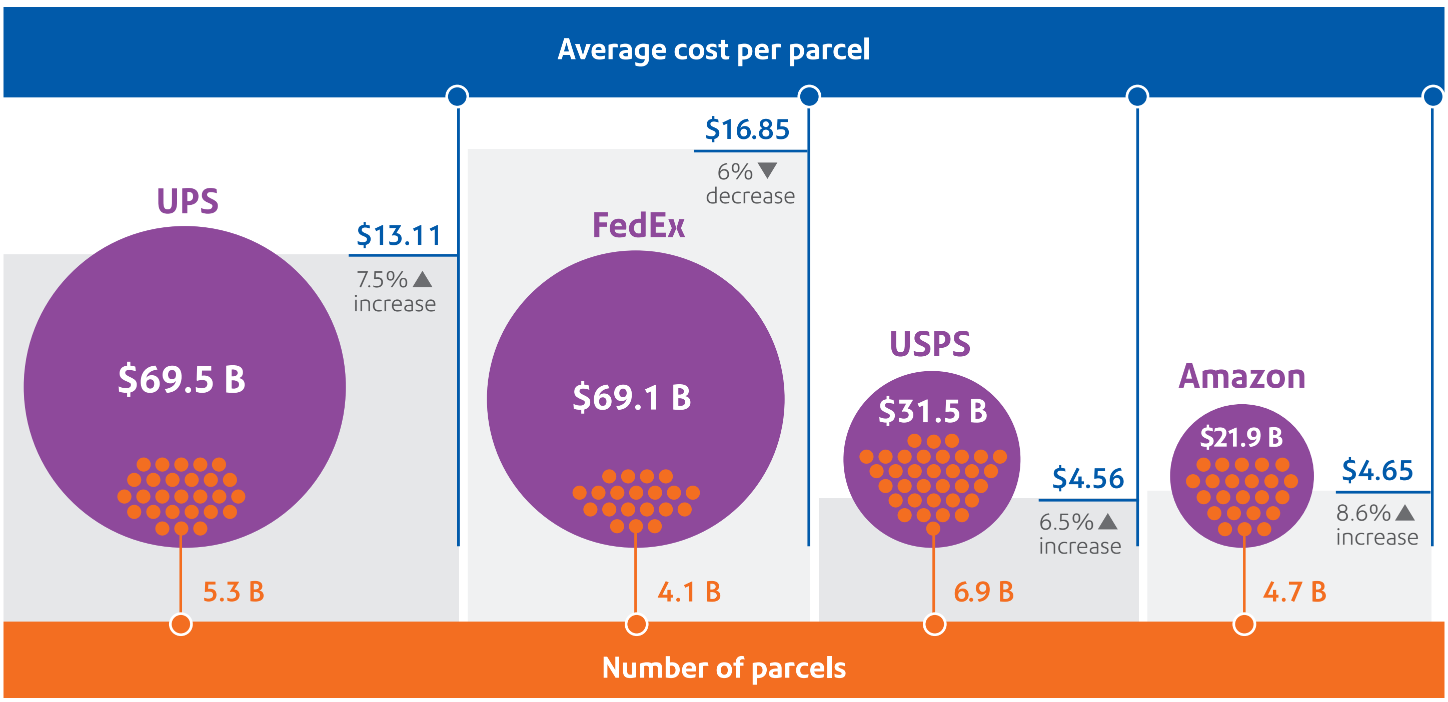
Decentralized shipping reigns in the hybrid workplace.
The majority of workers are now able to work remotely at least part of the time, and employers are challenged to contain shipping costs and maintain control. Remote workers need the ability to ship from wherever they are, and companies need reliable, cost-effective ways to get them the equipment and supplies they need to do their jobs.

Shippers are paying more and getting less.

Rising demand and limited capacity put shipping carriers in the driver's seat. The average cost per parcel has gone up approximately seven percent at most of the major carriers; the one exception is FedEx®, where the overall decrease is likely due to heightened demand for lower cost FedEx Ground services.

Although costs have continued to rise, on-time parcel delivery remained below pre-pandemic levels in 2021 due to capacity challenges.[6] At the same time, many of the on-time delivery guarantee suspensions put in place during COVID remained in effect throughout the year.

Rates and revenues vary by carrier.
It pays to shop for the best combination of price and logistics.

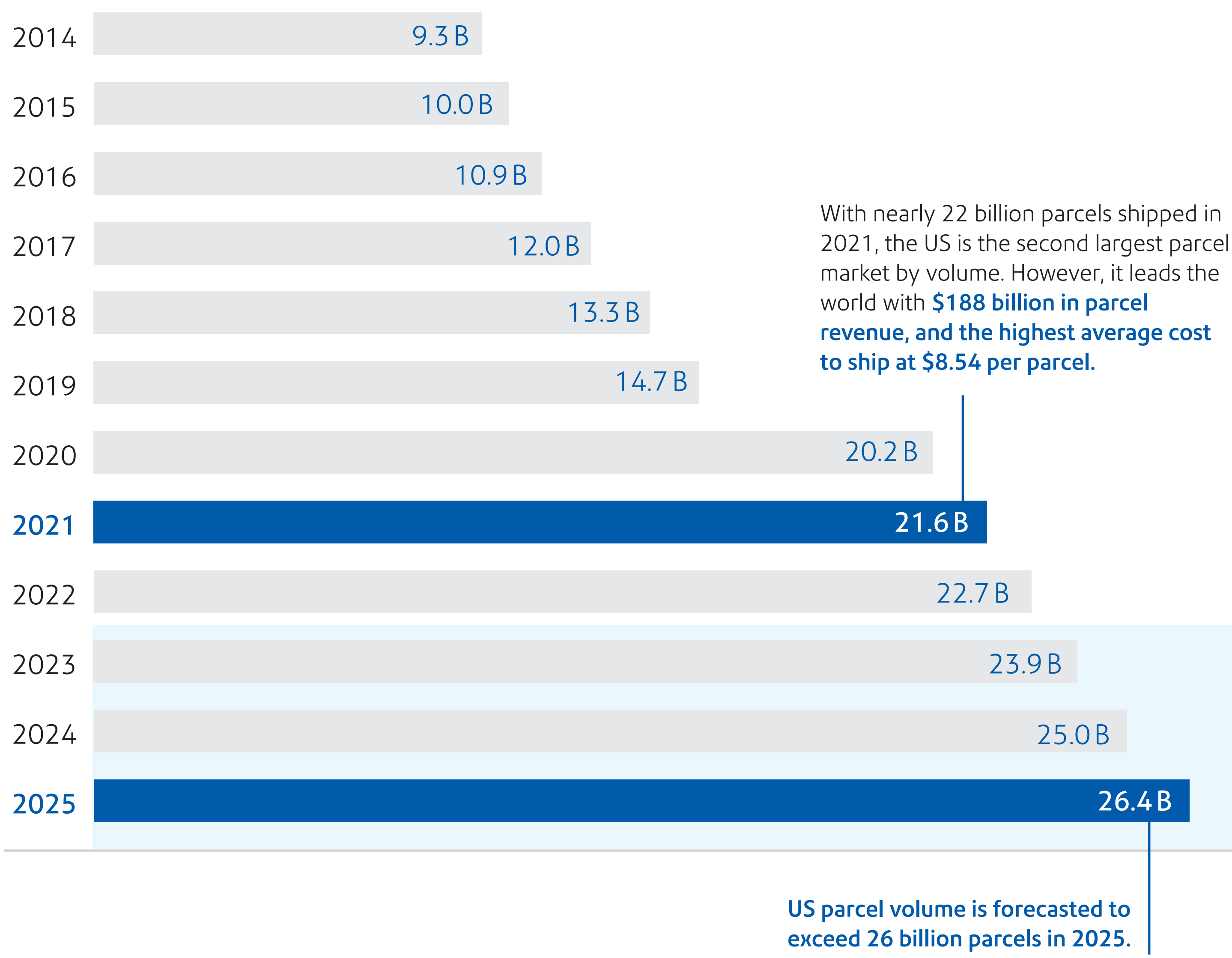


FORECAST

Global parcel volume could reach 205 billion by 2024.[7]

Source: Pitney Bowes 2022 Parcel Shipping Index

US parcel shipping volume (historical volume and forecast)



International growth also continues to accelerate. Although growth has slowed due to economic uncertainties, global parcel volume is projected to reach 2x pre-pandemic levels by 2024. China alone generated over 100 billion parcels in 2021—more than the entire global volume in 2019. And that figure is expected to double by 2027. Both India and Brazil are expected to see double-digit parcel volume increases through 2027, further straining the capacity of global networks.

Making the right shipping decisions has never been more important.

Although the pressure of exploding parcel volume has eased somewhat, consumer spending remains strong and peak season is expected to start much earlier. Demand continues to exceed capacity and is forecast to continue to do so for the foreseeable future. The effect of backlogs, delays and rate increases are being felt from the corner office to the shipping dock.

Management: More complexity, less certainty
Shipping is the lifeblood of every business: you depend on on-time delivery in your supply chain, and your customers expect to receive goods from you when promised. Even minor delays can upset relationships, tarnish brands and erode profits. Given the limited number of carriers in the U.S. market, there is little room for negotiation. Unexpected rate increases and new carrier fees are subtracted right from the bottom line, making accurate budgeting and forecasting a challenge.

Operations: Overloaded and under pressure
External conditions aren't the only problem. Many mailrooms are overcrowded and lack space for today's fast-rising parcel volume, which is driven in part by shipments to remote workers, as well as on-site employees who choose to have their ecommerce purchases shipped to the office. Staff may struggle to efficiently process outbound parcels, while outdated parcel management systems make it difficult to track inbound packages and confirm receipt.

Front lines: Working without a safety net
The need for on-time delivery of critical documents and materials has not abated. The hybrid workplace has become the new normal, but many teams are still trying to figure out how to support the shipping needs of remote workers, in terms of both sending and receiving. Former methods of tracking and cost management do not provide sufficient levels of visibility and control.

Top 5 challenges for shippers

01

Control shipping costs across company locations.

02

Employ shipping solutions that adapt to changing business requirements.

03

Track outgoing packages across multiple locations and home offices.

04

Produce and send critical customer communications in a timely manner.

05

Provide 24/7 contactless package pickup for employees or customers.

Source: Pitney Bowes Enterprise Survey, April 2021

Adding new capacity is expensive: carriers pass the costs along.
Faced with a protracted shortage of drivers, volatility in fuel costs and the need to invest in more vehicles, infrastructure, technology and personnel, carriers had no alternative but to raise rates.

Basic rates at FedEx® and UPS® once again shot up by a full percentage point to 6.9 percent, making the 2023 increase the largest on record. The USPS®, which has traditionally been a lower-cost alternative, announced similar increases of 5.5 and 6.5 percent for Priority Mail® and Priority Mail® Express respectively. Increases in this range are likely to continue until the capacity crunch subsides. With 75 percent of U.S. parcel shipping concentrated in just three providers,[8] shippers have little choice but to ante up.

Fees and surcharges drive actual costs even higher.
Surcharges can account for as much as 40 percent of a shipper's annual spend.[9] These add-on costs affect most shippers, and are rising between 10 and 15 percent—much faster than general rates. For 2023, carriers—including USPS—are adding new surcharges and modifying existing surcharges that can nearly double the impact of the general rate increase. For example, one carrier replaced an existing $5 area surcharge with a new $12 remote area surcharge that impacts six percent of U.S. ZIP Codes.[10] USPS has added peak surcharges and fees for dimensional non-compliance and oversized parcels.

Shippers may see additional charges for peak season delivery, address correction, delivery to a residential address or outside normal service areas, oversized or heavy parcels, higher fuel costs and any special handling. These costs may be hidden in the fine print and are subject to change at short notice, making them difficult to avoid.

Beware of hidden fees.

(SAMPLE: accessorial fees based on shipment of a one-pound parcel from Boston, MA to Chicago, IL)

Base rate (FedEx Priority Overnight)	$79.21
Adult signature	$7.65
Address correction	$21.00
Residential delivery surcharge	$5.80
Fuel surcharge (15.75%*)	$12.47
TOTAL	**$126.13**

Total surcharges $46.92 = 37% of the cost

*end of 2022 rate

Carriers are adjusting their business models.

As growth slows, carriers are prioritizing larger, more profitable partnerships. An important part of that strategy is to minimize their own cost to ship by being more selective about the packages that they will accept into their networks. They are imposing zone-based, double-digit fee increases for heavier packages or those that require special handling, increasing minimum costs to ship and keeping peak season surcharges in effect longer. Carriers are also making subtle adjustments to geographic service areas, imposing remote delivery surcharges on more ZIP Codes, so it's important to look beyond the rate card. It's also possible that carriers may begin to take a more dynamic approach to pricing in order to offset increased inflationary pressures: if so, shippers should remain vigilant throughout the year, not just in Q4 when general rate increases are announced.

Carrier surcharge increases for 2023	FedEx[11]	UPS[12]
Additional handling **Weight**	**+13.6%** Zones 5-6 **+14.3%** Zones 7+	**+11.5%** Zones 5+
Additional handling **Dimension**	**+15.4%** Zones 5-6 **+16.3%** Zones 7+	**+14.6%** Zones 5+
Additional handling **Packaging**	**+18.8%** Zones 3-4 **+17.7%** Zones 5-6 **+16.7%** Zones 7+	**+18.8%** Zones 3-4 **+17.1%** Zones 5+
Delivery area surcharge	**+4.2%** US Express **+6.7%** US Express Residential **+10.4%** Ground Residential	**+4.2%** Commercial Air **+6.7%** Residential Air **+10.4%** Ground Residential
Residential surcharge	**+9.4%** US Express **+5.8%** Ground **+8.4%** Home Delivery	**+9.4%** Air **+8.3%** Ground
Late fee	**+33%**	**+33%**

How shippers are dealing with sticker shock.
With shipping costs and complexity increasing faster than ever, savvy shippers are taking a more strategic approach to protect their bottom lines while delivering the fast, frictionless experience customers demand. Many retailers are moving inventory closer to areas they ship to most often to reduce zone-based cost increases. Another emerging tactic to reduce transportation costs is zone skipping. Multiple packages bound for a distant zone are consolidated into a single truckload (or partial truckload) and delivered to a distribution center near the final destination.

Almost all shippers are working to reduce package size and weight, and some are even going so far as to split large or heavy items into separate shipments to avoid additional handling fees. Another common tactic is adding new carriers to the mix to save on last-mile delivery, which can account for more than 50% of shipping costs.[13]

The average shipper is working with more carriers. According to Project 44, carrier diversity increased 9.6% from August to September 2022.[14]

In the search for profits, smarter shipping can pave the way.

Shipping costs are spiking but operational budgets are either flat or shrinking. In turbulent times, you need to be ready for anything. You need visibility to understand shifting needs, and flexibility to respond quickly and effectively. That requires:

Diversification: Adding new carriers to the mix to reduce risk and optimize costs

Control: Implementing safeguards to ensure that individuals select the right shipping method

Transparency: Having the ability to accurately track packages and correctly allocate expenses

Analytics: Leveraging data to find new opportunities to save

The industry is innovating and you can too.
Carriers and logistics firms are exploring innovative ways to streamline delivery. But every shipper should be taking steps to ensure that their operations run smoothly and efficiently.

Diversify your carrier network.

Reliance on one or two carriers is no longer an option.

- Smart shippers enlist the service of alternative carriers to circumvent capacity issues or price increases.
- Obtain the best combination of cost and logistics. Negotiated rates may not always be the most favorable for every shipment.

Automate and streamline operations.

Leverage smart technology to accomplish more with less staff.

- Improve accuracy and reduce manual errors.
- Support a distributed workforce with cloud-based solutions.
- Enable self service that allows teams to rate shop and process outgoing parcels.

Improve visibility and control.

Use tracking and data-driven insights to manage costs and meet expectations.

- Analyze trends and identify spending hotspots.
- Establish business rules for accountability and cost control across all locations.

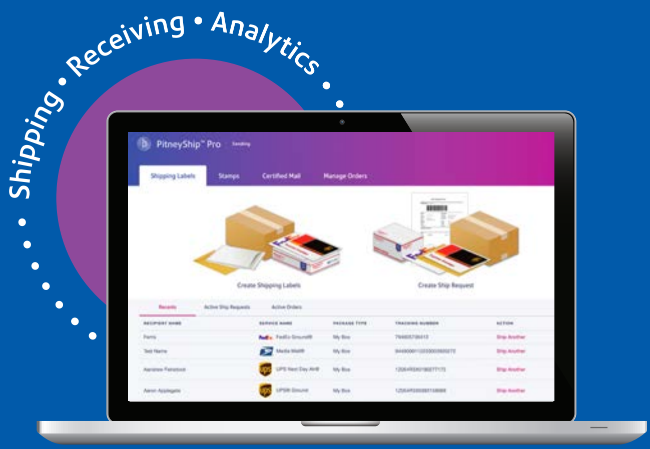
Reimagine in-bound receiving.

Streamline delivery and increase security with automated parcel management.

- Maximize convenience and protect health with secure, contactless delivery.
- Easily confirm package status/receipt with automatic notifications.
- Support employees who ship ecommerce purchases to the workplace.

Ship smarter with Pitney Bowes.

The Pitney Bowes Parcel Shipping Index makes it clear: parcel volume is growing faster than capacity. It is happening all around the world, and it affects your company even if your shipping needs haven't changed. You can easily control costs, increase efficiency, support a distributed workforce and make smart, data-driven decisions with our innovative solutions, powered by the advanced Shipping 360™ platform. This modular, cloud-based and scalable platform is easily deployed across your organization, and seamlessly integrates with existing workflows. It supports shipping, mailing, receiving and distribution modules to provide complete end-to-end visibility across processes.



Solutions supported on the Shipping 360 platform include:

- PitneyShip® multi-carrier shipping software for home offices or single location office workers
- PitneyShip® Pro multi-carrier shipping software with rate shopping for enterprise
- PitneyTrack™ Inbound advanced tracking and receiving software
- Pitney Analytics to provide improved visibility and actionable insight

[1] Pitney Bowes Parcel Shipping Index 2022

[2] Pitney Bowes Parcel Shipping Index 2022

[3] Pitney Bowes Parcel Shipping Index 2022

[4] Here's Why Ecommerce Growth Can Stay Stronger for Longer, Morgan Stanley

[5] US GDP Set to Rise 5.6% Annually to 2025 from 2020 Pandemic-Induced Recession

[6] On-time parcel delivery still lags pre-pandemic levels

[7] Pitney Bowes Parcel Shipping Index 2022

[8] Pitney Bowes Parcel Shipping Index 2022

[9] UPS 2023 General Rate Increase: What You Need to Know

[10] Your US 2022 Parcel Outlook: Making Sense of This Year's Parcel Shipping Dynamics

[11] FedEx 2023 General Rate Increase: 6 Key Takeaways

[12] UPS 2023 General Rate Increase: What You Need to Know

[13] The challenges of last mile delivery logistics and the tech solutions cutting costs in the final mile

[14] On-time parcel delivery still lags pre-pandemic levels

United States
3001 Summer Street
Stamford, CT 06926-0700

To learn more, visit pitneybowes.com/us