White paper

pitney bowes

Parcel shipping index

How the parcel surge impacts your business

Record volumes, cost uncertainty and tighter labor markets can threaten any business, but there are steps you can take now to safeguard your operations.

As we look ahead to 2022, every business faces a new parcel shipping reality.

The explosive growth of 2020 and ongoing trends in ecommerce are driving parcel volume up. The supply chain has been turned upside down, with demand for shipping capacity outstripping the labor and transportation network around the world.

You may think this is important only to global shippers or the leading ecommerce players. But in fact, these trends impact the operations of every business.

The Pitney Bowes Parcel Shipping Index, the most comprehensive look at parcel volume and carrier data, details this shift. This report breaks down these trends in detail. You will learn:

- 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

20 billion
parcels shipped

55 million
parcels per day

640 parcels
per second

61 parcels
per person

The new shipping dynamic

Historically, shipping has been the domain of business. It fuels your supply chain and provides the engine to deliver goods, supplies and documents to your customers.

That is no longer the case. New realities, including competitive pressures, a global pandemic, changing demographics and consumer behaviors are rapidly reshaping the economy at large and impacting the way you conduct business, even if your shipping volume has not changed.

Consumer demand triggers surge

Global per capita shipping has nearly tripled over the past seven years and is projected to double again over the next five. This shipping boom was driven by the increasing consumer preference for online shopping, a trend accelerated by the COVID-19 lockdowns and the closure of brick-and-mortar stores.

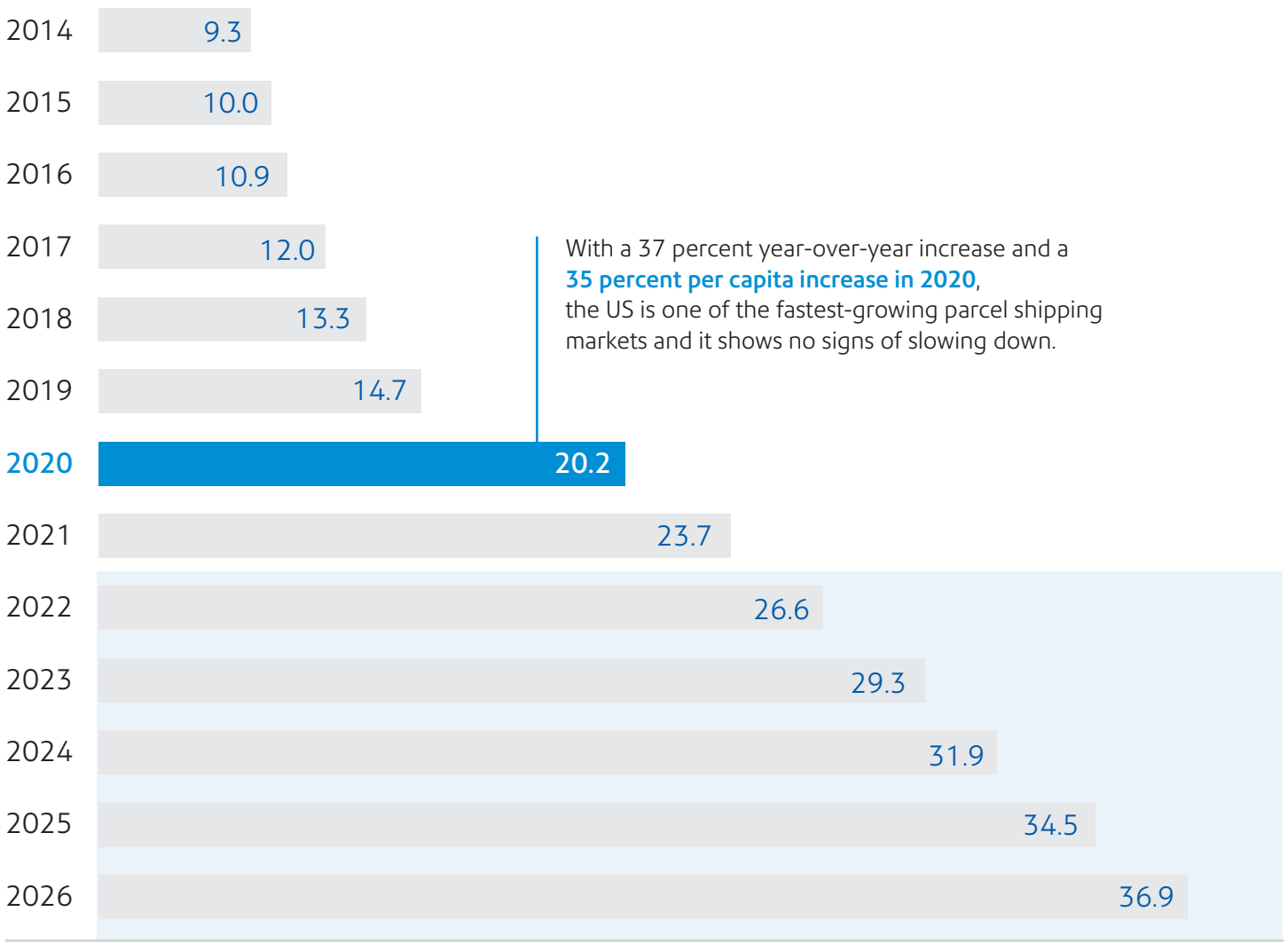
US consumer spending is projected to grow at a compound annual rate of 18.4 percent through 2025, a fact that is reflected in the Pitney Bowes Parcel Shipping Index.

FORECAST

Global parcel volume could reach 303 billion by 2026.

Source: Pitney Bowes 2020 Parcel Shipping Index

US Parcel Shipping Index (historical volume and forecast)



A transformed work environment

The US shipping network was already running at full capacity, with little margin for error, even before the recent spike in volume. But COVID didn't just change consumer habits; it also accelerated workplace trends.

- A high number of Baby Boomers opted to leave the workforce in what has become known as "The Great Retirement."
- The Millennials' desire to work from home suddenly became a reality for most non-essential workers and today many firms are adapting to a remote workforce.
- Centralized operations are now distributed across multiple sites.
- Health concerns created a need for contactless pickup and delivery.

By the end of 2021 the combination of higher volumes, tighter labor markets and logistics challenges brought the global supply chain to a breaking point. There are only a limited number of ports, warehouses and trucks and the pandemic reduced the pool of critical personnel, from drivers and clerks to warehouse workers. And although Amazon Logistics has been able to pick up a portion of the consumer surge, businesses must still rely heavily on the big three: the USPS, UPS® and FedEx®. With limited options, shippers must be proactive and take a more strategic approach to keep parcels moving while optimizing costs.

Unprecedented disruption puts every shipper at risk.

Demand is exceeding capacity and it is likely to continue to do so for the foreseeable future. With normal operations backlogged, the effects of protracted shipping delays and dramatic 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 and services from you when promised. Even minor logjams or delays can tarnish brands, upset relationships and erode profits. Given a limited number of carriers, there is little room for negotiation. Unexpected rate increases and new carrier fees are subtracted right from the bottom line, making budgeting and forecasting a major challenge.

Operations: Overloaded and under pressure

External conditions aren't the only problem: Many mailrooms are overcrowded and lack sufficient space for today's fast-rising parcel volume, driven in part by shipments to remote workers and on-site employees choosing 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. With hybrid environments now the new normal, teams are still trying to figure out how to support the shipping needs of remote workers, both in terms of sending and receiving. Former methods of tracking and cost management often do not provide the same level of consistency and control.

Top 5 challenges for shippers

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

02 Control shipping costs across company locations.

03 Employ shipping solutions that adapt to changing business requirements.

04 Track outgoing packages across multiple locations and home offices.

05 Produce and send critical customer communications in a timely manner.

Source: Pitney Bowes Enterprise Survey, April 2021

Carriers make adjustments and shippers pick up the cost.

Faced with a driver shortage, a sharp increase in fuel costs and the need to invest in more vehicles, infrastructure and personnel, carriers had no alternative but to increase rates.

Basic rates at FedEx® and UPS® increased by 5.9 percent in 2021, while the USPS, which has traditionally been a dependable low-cost alternative, made changes in August 2021 and is expected to raise rates yet again in 2022. With nearly 80 percent of US parcel shipping concentrated in just three providers, shippers have little choice.

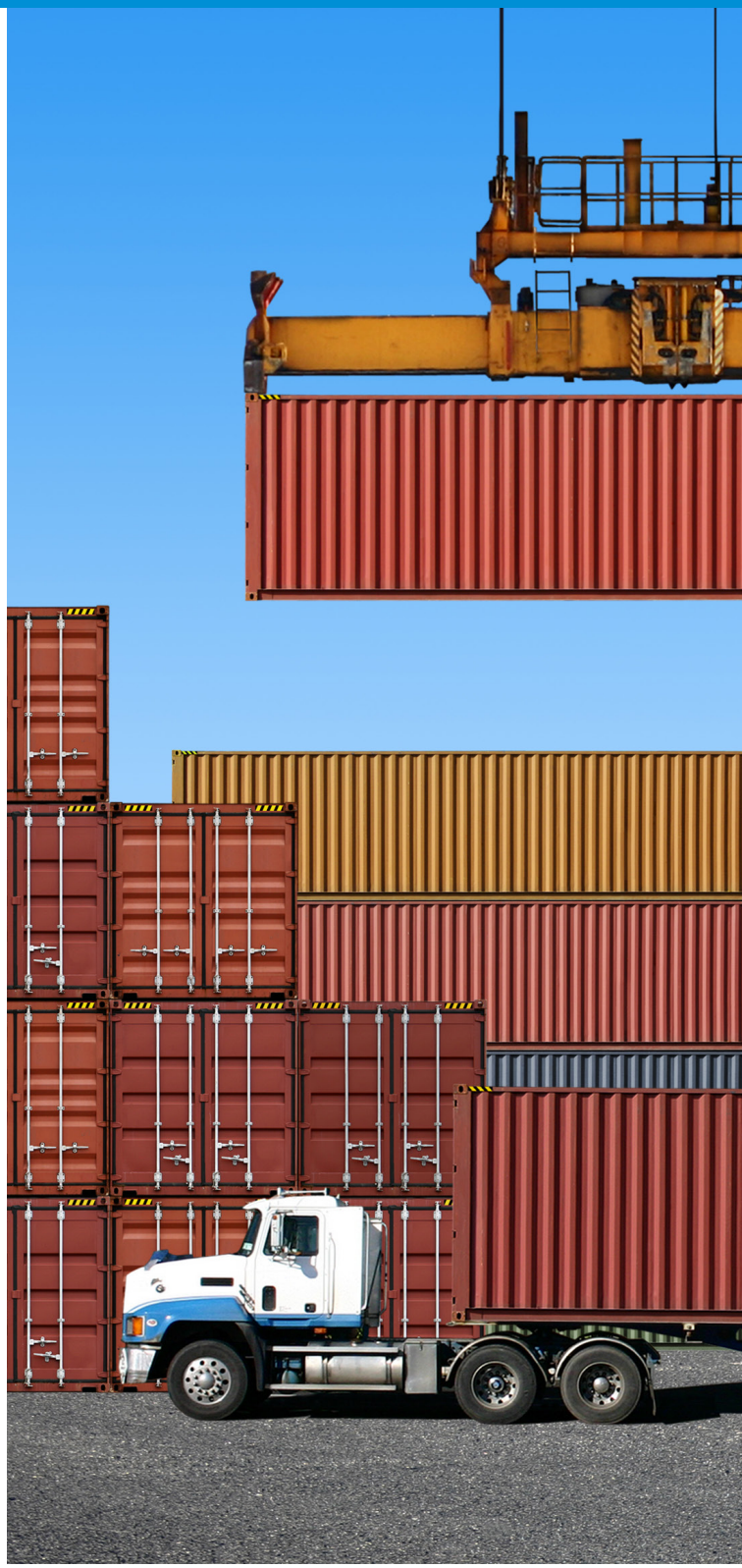
Surcharges drive actual costs even higher.
Annual rate increases are further complicated by the addition of unplanned fees. Some surcharges are either based on zones or updated weekly, so costs can vary widely from one invoice to the next.

Shippers may see additional charges for peak season delivery, address correction, delivery to a residential address or outside normal service areas, oversized parcels, higher fuel costs and even special handling due to COVID. These costs, which may be hidden in the fine print, are rising faster than general rates and can bring total annual cost increases to double-digit levels.

The impact of hidden fees

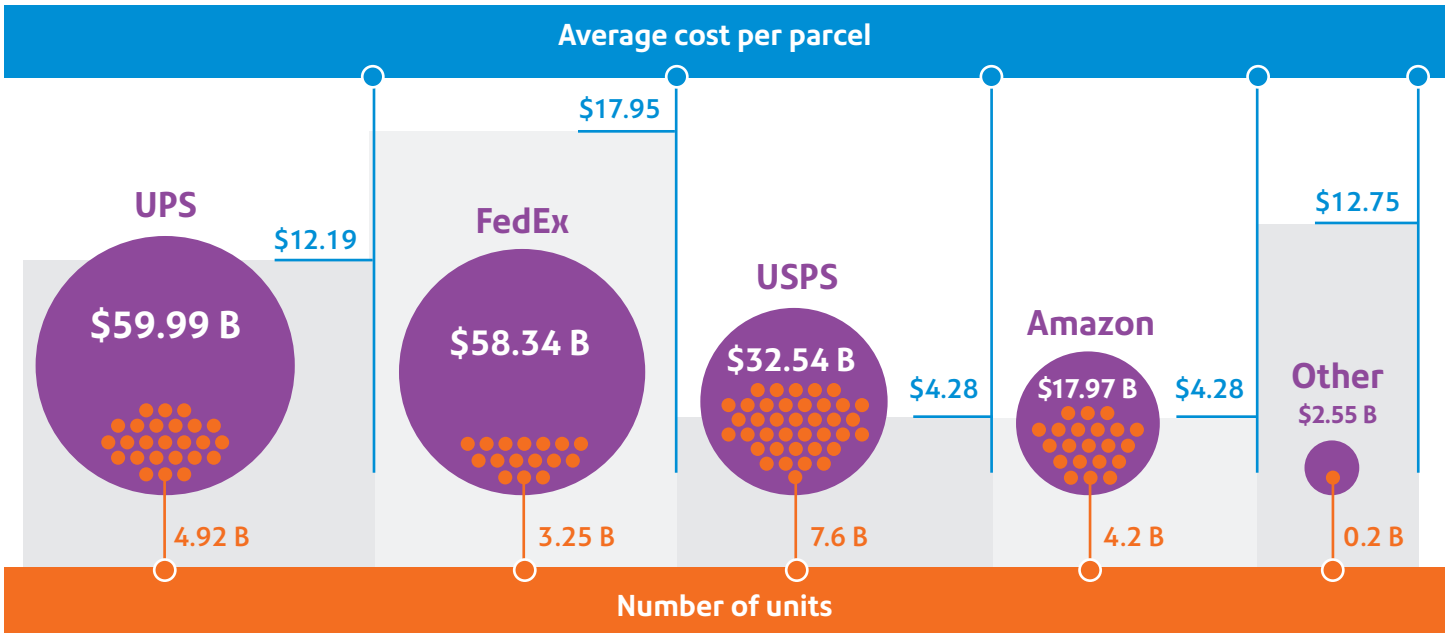
(SAMPLE: accessorial fees based on shipment of a one-pound parcel from Bridgeport, CT to Chicago, IL)

Base rate (Priority Overnight)	$77.60
Address correction	$19.50
Residential delivery surcharge	$5.30
Adult signature required	$17.15
Fuel surcharge (11%)	$8.54
TOTAL	**$128.09**
Total surcharges $50.49 = almost half of the cost	



Policy changes can add unpredictability.
Because on-time performance has decreased, some carriers have temporarily suspended delivery guarantees and have made it more challenging to request refunds. UPS® and FedEx®, seeking to focus on the most profitable shipments, have both imposed capacity limits on certain shippers with as little as 24 hours' notice. Some carriers have asked shippers to provide parcel volume estimates for peak season and imposed penalties for exceeding, or failure to meet them.

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



Shipping is a global challenge.

Labor shortages could ultimately impact the flow of goods and services. In Japan, 140,000 transportation industry jobs went unfilled in 2020. Delivery businesses have increased their demand for both full-time and temporary employees, but experts predict that Japan's workforce will shrink 20% by 2040.

In China, the world's largest ecommerce market, shipping volume is primary handled by six major carriers, but none has more than a 17% share. With fierce competition among carriers, the average waybill price fell significantly in 2020 despite increased volume.

Next never waits. Shipping and operations leaders are taking advantage of new opportunities to manage risk.

Today more than ever, businesses need the right technology to meet customer expectations, streamline processes and control costs. Companies that modernize their shipping and receiving operations and prioritize data and analytics to drive better decisions will enjoy a competitive advantage.

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.

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.

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.

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: The volume of parcels is growing faster than capacity and that is having an impact across every corner of the world. Even if the shipping needs have not changed within your company, these trends impact the operations of every business. To compete successfully, you need to control costs, increase efficiency, support a distributed workforce and make smart, data-driven decisions.

Our solutions include:

- Multi-carrier shipping software with rate shopping
- Cloud-based technology that lets employees ship from anywhere
- Advanced tracking and receiving software
- Smart lockers for self-service, contactless delivery
- Data analytics for improved visibility and actionable insight
- Automated processes to streamline workflows

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To learn more, visit pitneybowes.com/us