



2018 STATE OF HOLIDAY SHIPPING IN THE U.S.

A LATESHIPMENT.COM RESEARCH REPORT

AN UNBIASED STATISTICAL REPRESENTATION, OBSERVATION
AND FORECAST FROM A DELIVERY PERFORMANCE STANDPOINT
FOR FEDEX AND UPS DURING THE 2018 HOLIDAY SEASON.



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What's this report?

The '2018 State of Holiday Shipping in U.S.' report is a comprehensive summarization of performance in small parcel delivery across the United States by shipping carriers FedEx and UPS. This report emerges from an extensive research done using statistically relevant and verifiable data from over 75 million packages tracked and monitored by LateShipment.com.



Who's this report for?

Retailers. Logistics Leaders. Industry Experts. Media Personnel.

To those who strive to bring in more transparency to the workings of the autonomous shipping industry. Retailers who believe in the ability of last mile competency for growth and to deliver optimum customer satisfaction. Media personnel who help retailers during the holiday season with data driven articles on holiday shipping and logistics.

Putting Parcel Shipping Into Perspective

Every retailer and media house is privy to the fact that key metrics available from shipping carriers are biased and distorted, often purported to show them in good light. To fix this genuine problem, LateShipment.com is creating this report

which aims to benchmark true shipping carrier performance with unbiased data from over 75 million shipments tracked end to end, increasing significance and reliability of shipping carrier statistics.

2018 Holiday Blockbuster In Numbers



\$1.10 Trillion
Estimated Holiday Season Sales



Up to **18%**
Increase In Online Sales



425 Million
Packages To Be Handled By FedEx



800 Million
Packages To Be Handled By UPS

This report is designed with the purpose of understanding how 2018 Holiday shipping will really turn out to be, through aggregating data from 2017 holiday season as well as the same period in 2016, for comparison purposes. This report is also intended to help media houses voice out more accurate stories

about the true state of shipping during the busy holiday season. The data has been consolidated by collecting more than 130 unique data points from every shipment we track. We believe it will act as a neutral information source that helps bring more transparency into the world of shipping.

Slicing Delays by State and City

Online retail blurs borders for shoppers but adds to shipping challenges for merchants. Various circumstances influence the transit time of shipments between cities and states when there is a surge during the holidays.

For reasons ranging from congested sorting hubs serving a specific location, unforeseen weather conditions or sometimes no matter the level of automation of processes, delays in deliveries

occur and are not always uniformly spread across the country, with some regions and cities performing far worse than others. In the geographic analysis of carrier performance, we attempt to identify states and cities that are likely to face the highest probability of delays and service failures.

KEY FINDINGS



Sparsely populated states in the midwest and heavily populated states in the northeast and the west coast face the highest probability of parcel delays

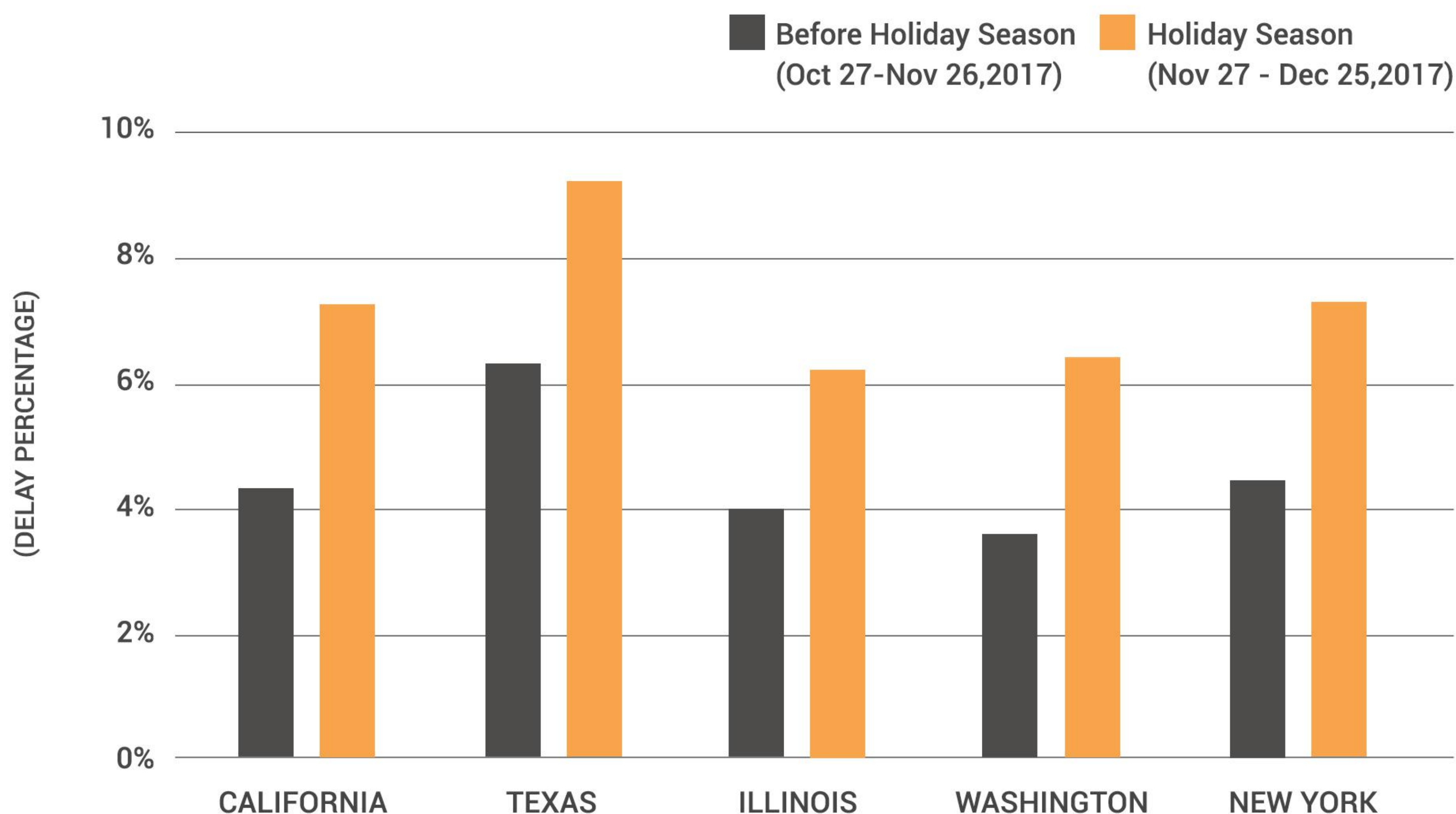


Very densely populated metros like Los Angeles, New York city are expected to face more delivery errors and delays compared to other cities in the U.S.

State of Delays in Top States



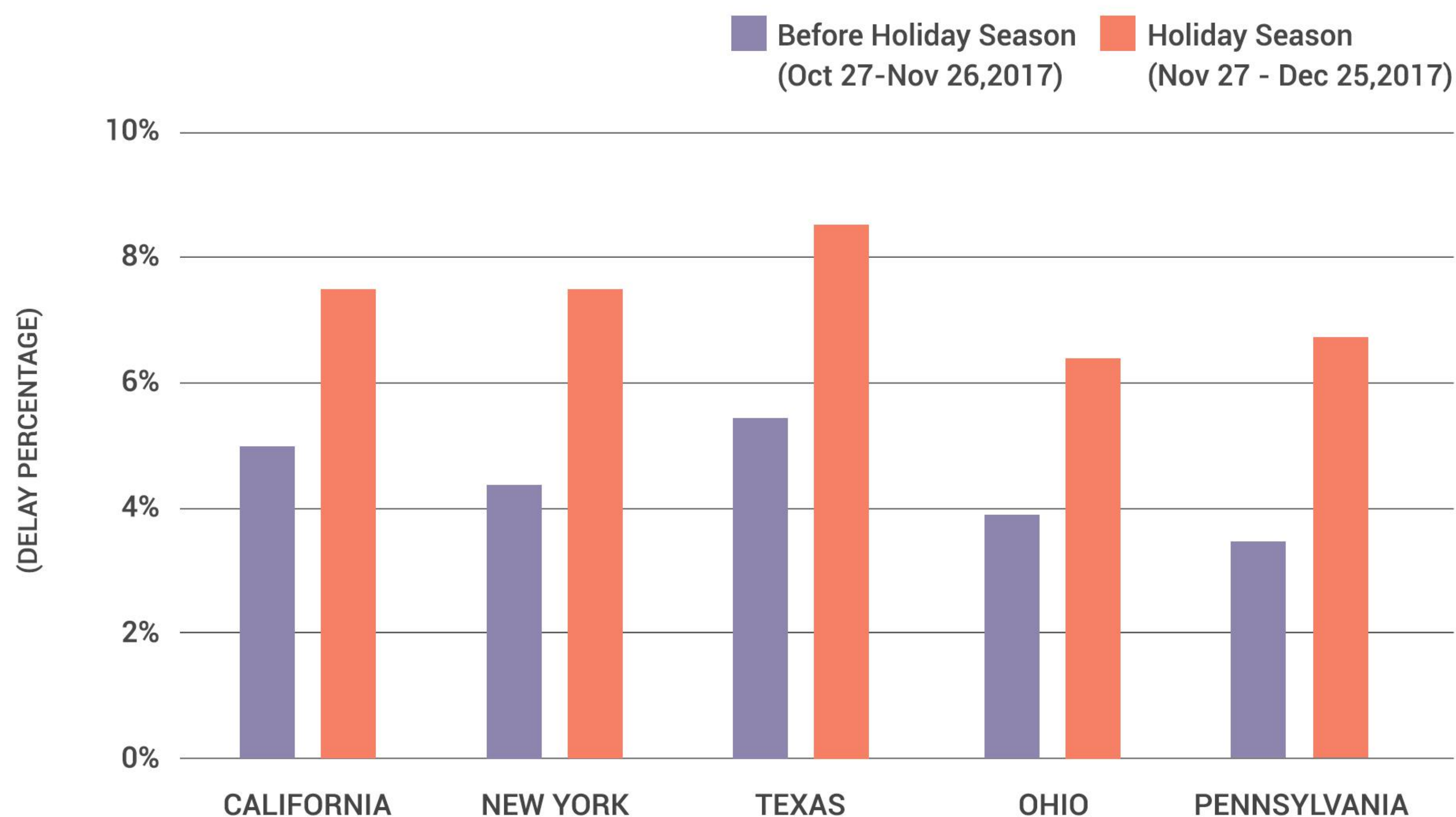
The following graph shows how states like Texas and California suffered the most number of delays for UPS shipments



STATES WHERE UPS FACED THE MOST NUMBER OF DELAYS DURING HOLIDAY SEASON 2017



States like New York, Texas and California faced the most number of delays in packages shipped during 2017 Holiday season

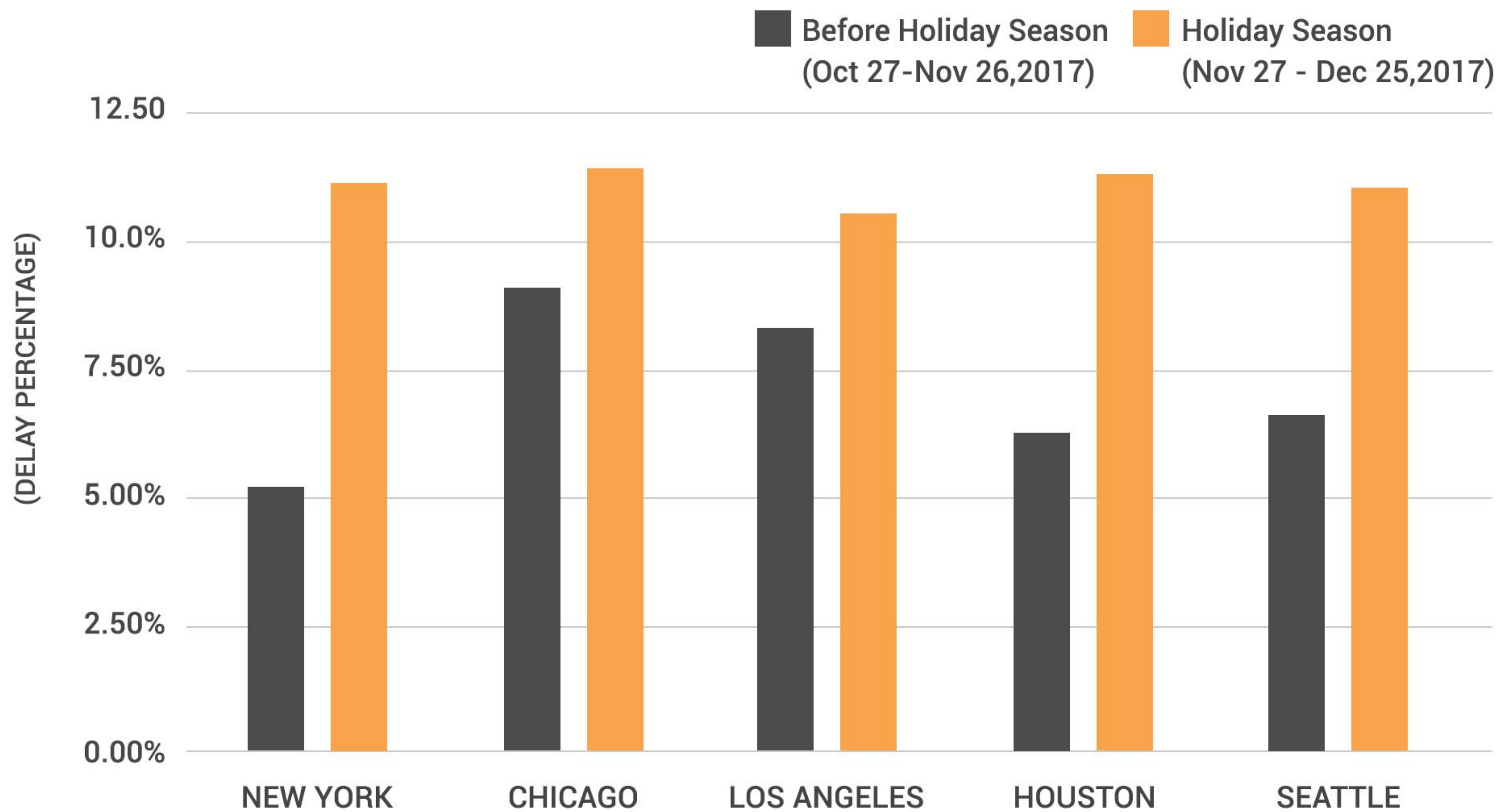


STATES WHERE FEDEX SHIPMENTS FACED MAXIMUM DELAYS DURING HOLIDAY SEASON 2017

Citing Delays in Top Cities



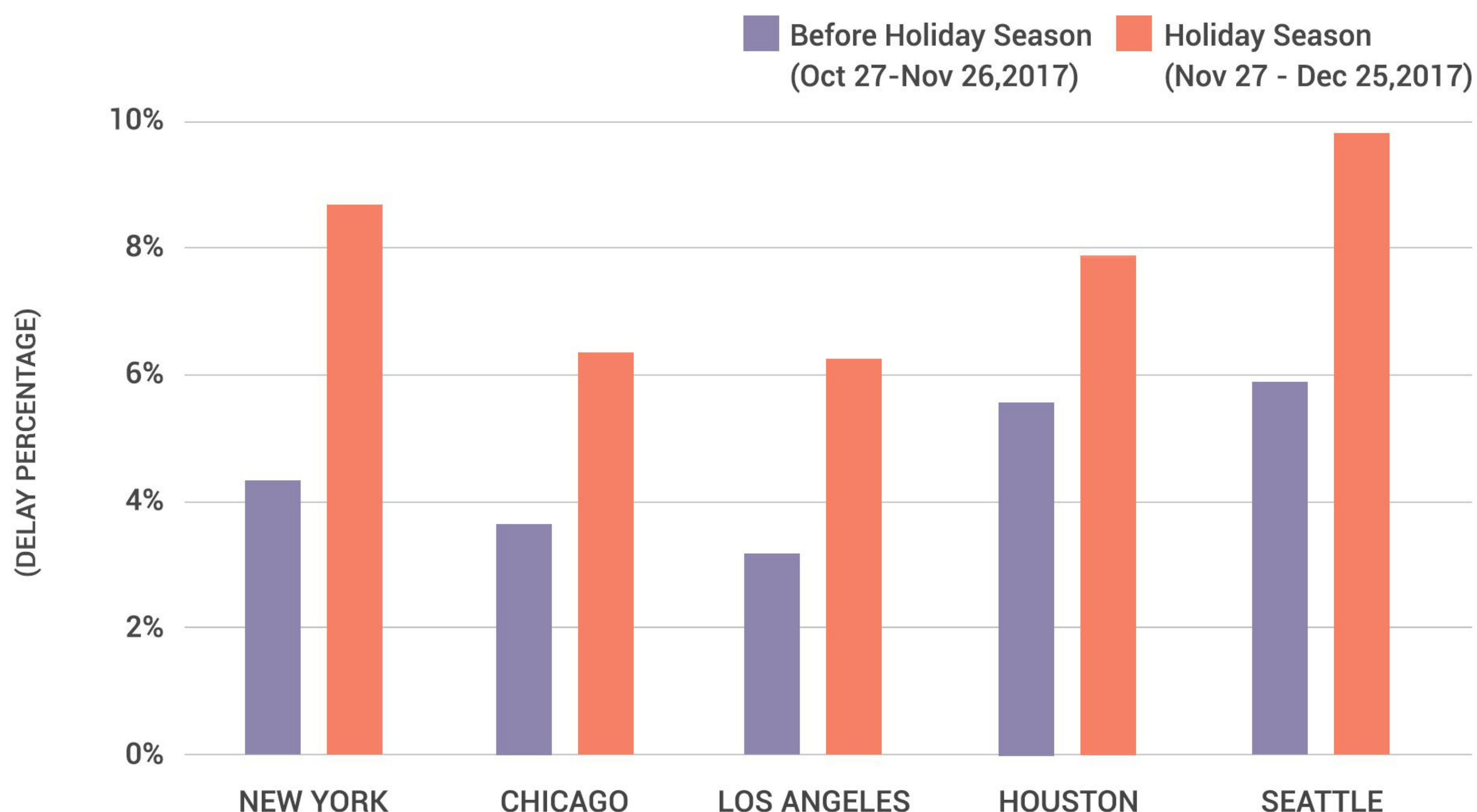
New York, Houston and Seattle recorded twice as many delays during the 2017 Holiday season for packages shipped through UPS



CITIES WHERE UPS FACED THE MOST NUMBER OF DELAYS DURING HOLIDAY SEASON 2017



Densely populated cities like Seattle and New York faced the highest number of delays during the 2017 Holiday season for packages shipped through FedEx



CITIES WHERE FEDEX FACED THE MOST NUMBER OF DELAYS DURING HOLIDAY SEASON 2017

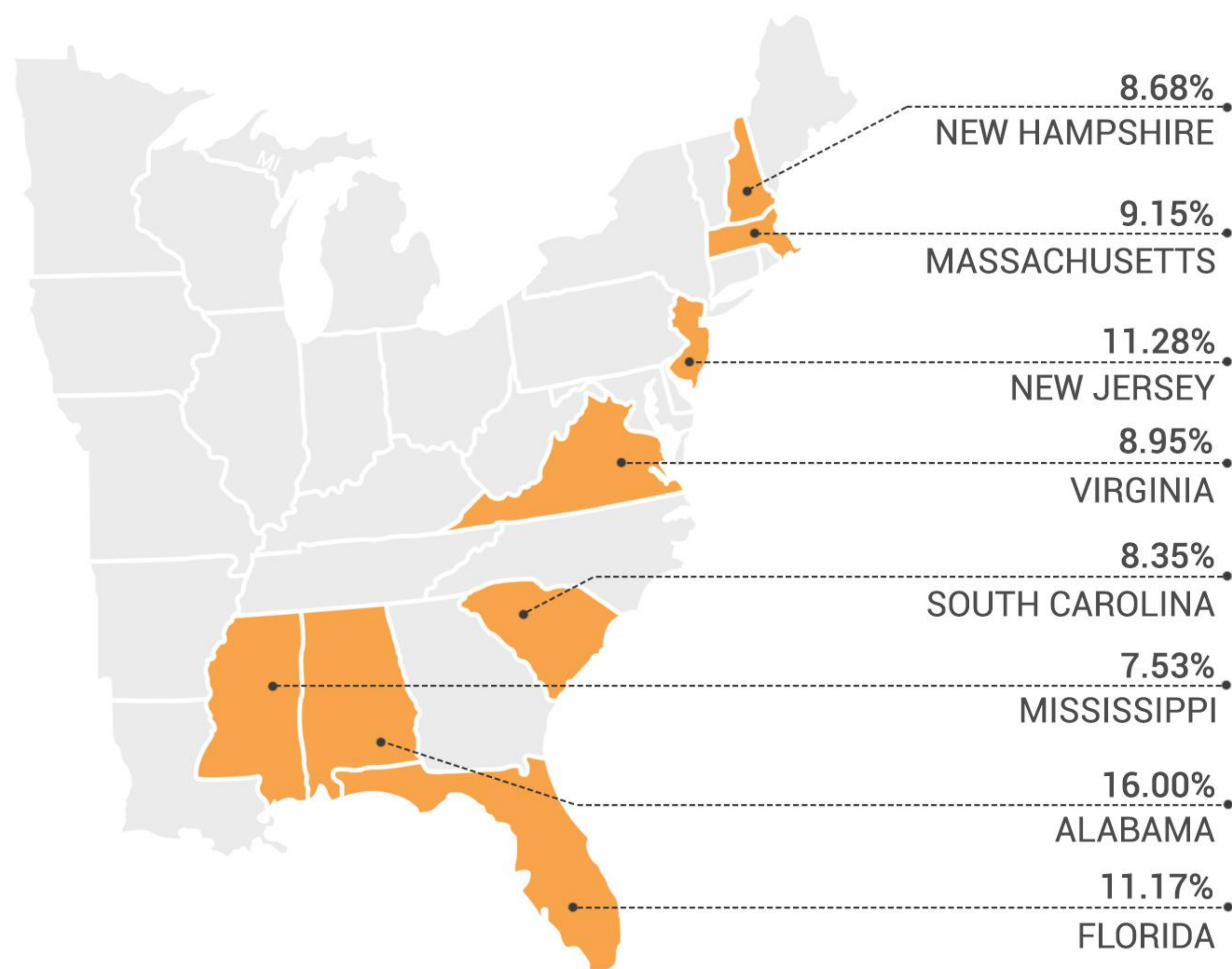
The Coastal Chaos

Nobody likes reasons which cause delivery delays, particularly when 'delivery exception due to weather' is the tracking status for one's holiday package. Bad weather causes frequent delivery disruptions during the Holidays, be it due to snow storms or hurricanes, there is an increase in weather related service failures during the holiday season. If you take Florida for instance, UPS delay rates were around 11% throughout the 2017 holidays.

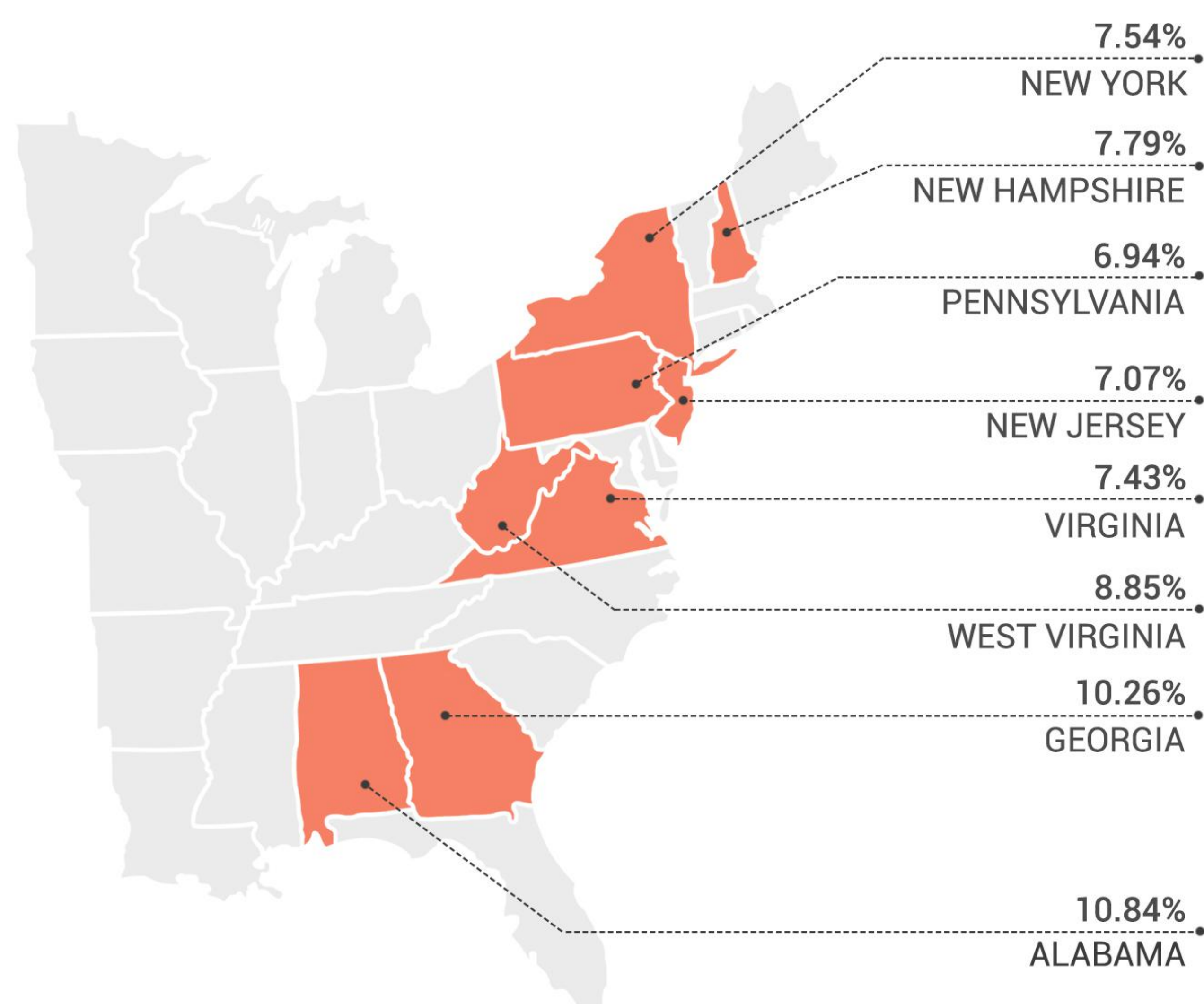
Here's a comparative chart showing delays around the west coast, east coast and in some interior states during the 2017 holiday season.



States facing a high percentage of delays for UPS shipments included Alabama and New Jersey



AREAS WITH HIGH DELAY RATE FOR UPS SHIPMENTS DURING HOLIDAY SEASON 2017



Georgia and Alabama had the highest percentage of delays for FedEx shipments along the east coast

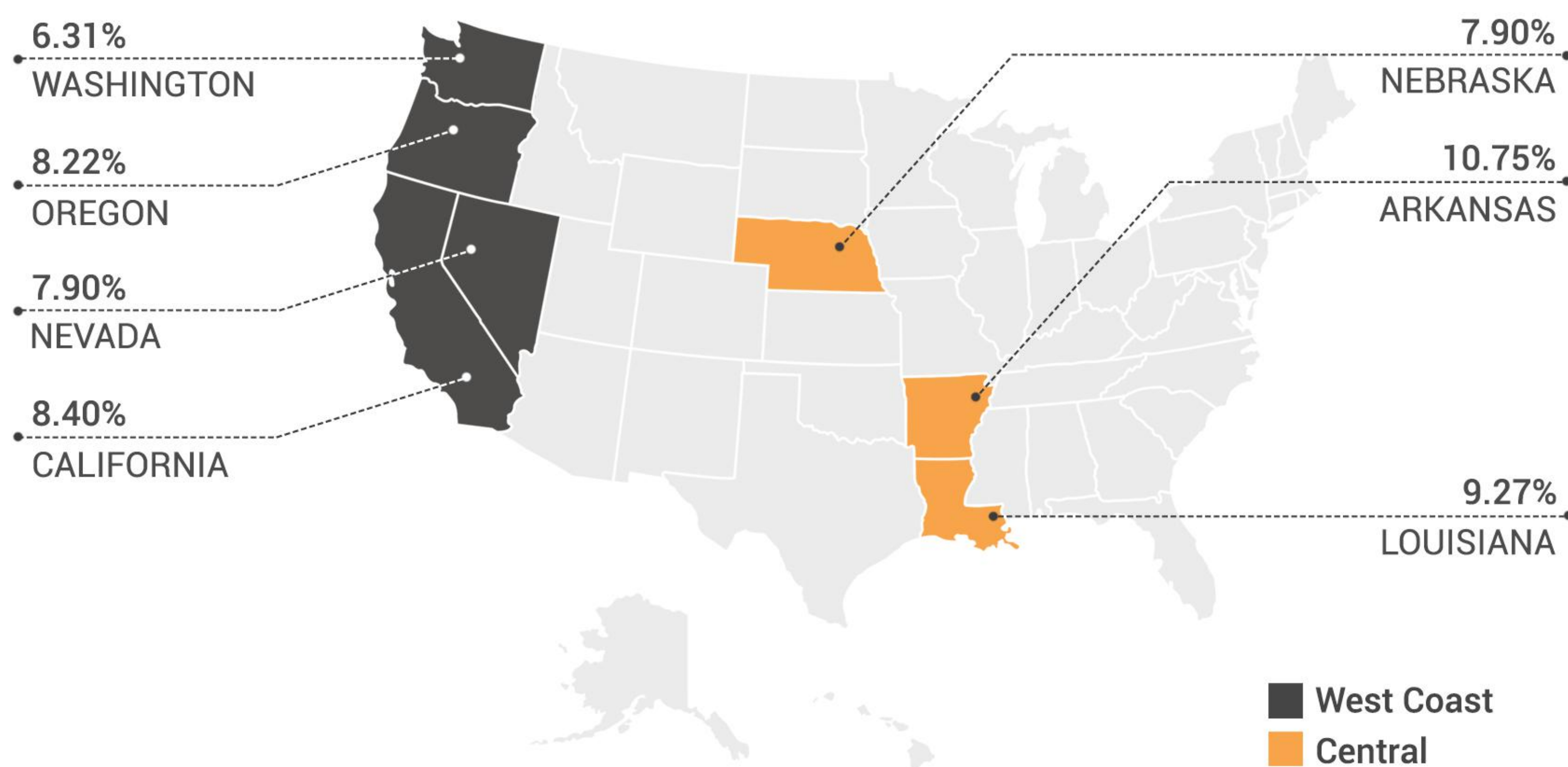
AREAS WITH HIGH DELAY RATE FOR FEDEX SHIPMENTS DURING HOLIDAY SEASON 2017

Delays Across The West Coast And Central Areas

Even within a specific region, sometimes one carrier performs better than the other. This may be due to infrastructure differences or specific performance issues. If you take Washington for instance, FedEx had higher delay rates of around 8.6%, while UPS registered delays of around 6% during the 2017 holidays.



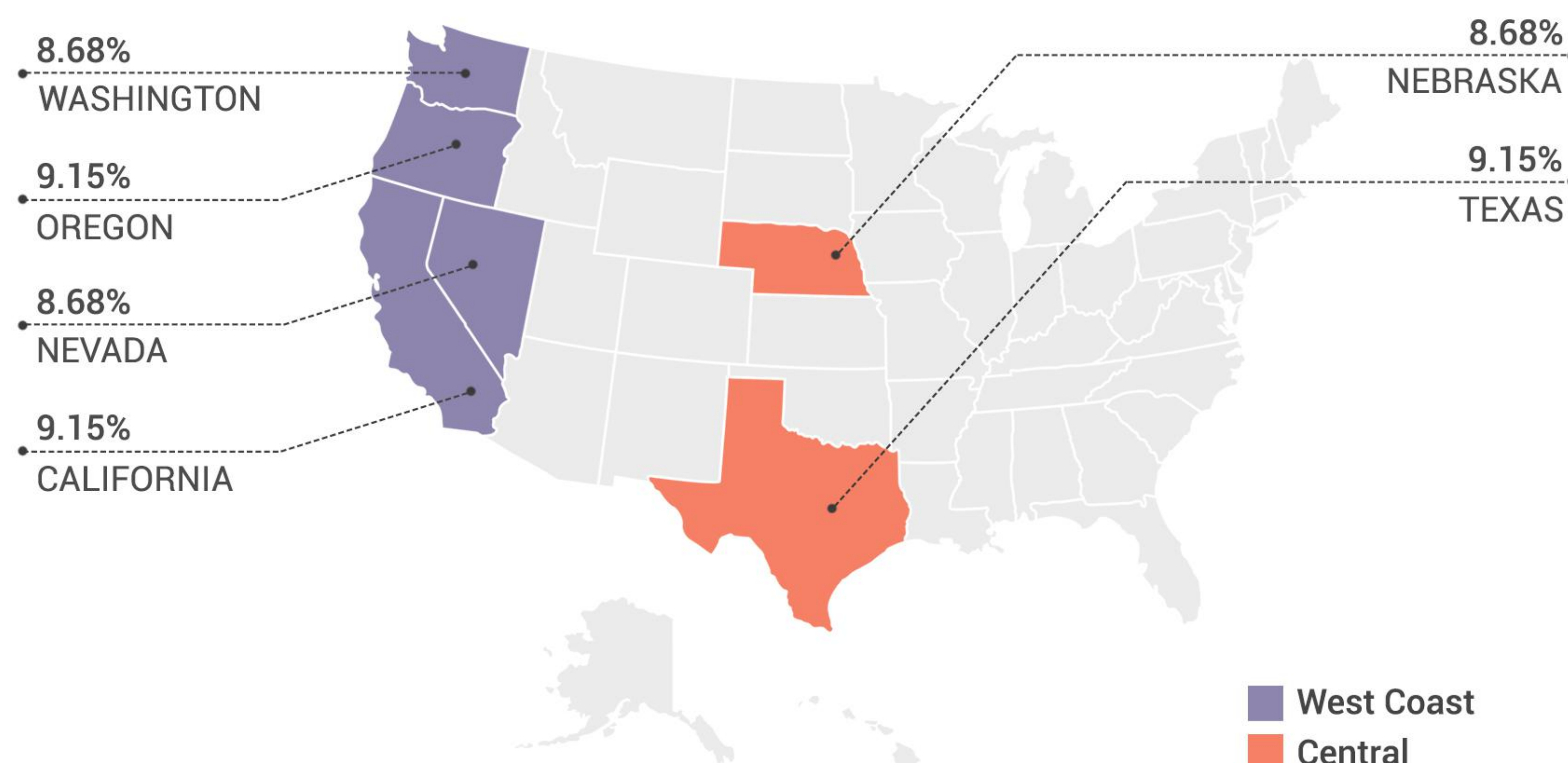
The west coast and central areas affected by the most number of delays for UPS shipments are given below.



AREAS AFFECTED BY MOST DELAYS FOR UPS SHIPMENTS DURING HOLIDAY SEASON 2017



FedEx shipments faced a larger percentage of delays in the following states along the west coast and central mountainous areas.



AREAS AFFECTED BY MOST NUMBER OF DELAYS FOR FEDEX SHIPMENTS DURING HOLIDAY SEASON 2017

Service-Type Delay Distribution

An impressive overall growth rate of online retail is due to the flexible shipping options shoppers expect and are provided with. With free shipping being the norm to combat Amazon and Walmart this year, opting for the right service-type to maintain profitability is key.

But, over the years, express services show a higher percentage of delays during the holiday season as even a slight change in an aircraft take-off schedule or weather can result in delivery delays by an entire day.

Ground services on the other hand, often manage to reach customers at least by the the end of a given day because of its flexible infrastructure. The downside to parcels shipped via ground services is that they pass through multiple sorting centers and an issue with even one transit point can cause delays or disruptions to a large volume of packages.

KEY FINDINGS

+15%

Time sensitive services like *UPS Next Day Air* faced up to a 15% increase in delays during the holidays, showing how paying a premium does not necessarily guarantee on-time delivery

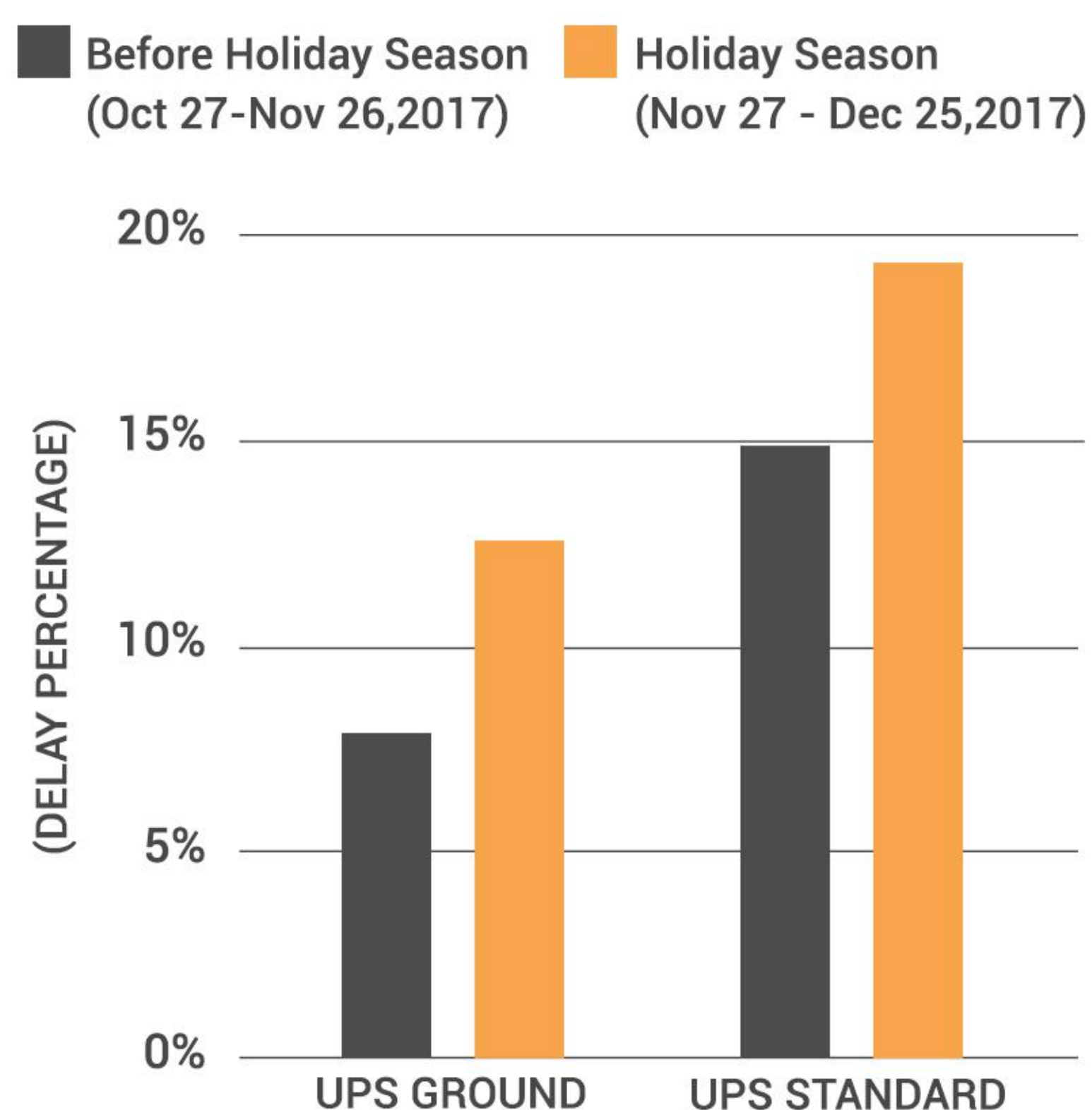
↗ 4-5%

Cross-border shipments are expected to see an average of 4-5% increase in delays for time-sensitive parcels due to unpredictable congestion in customs clearance or bad weather

Measuring Delays By Service Types



The following graphs compare delays recorded for UPS Ground and Express service types before and during 2017 Holidays

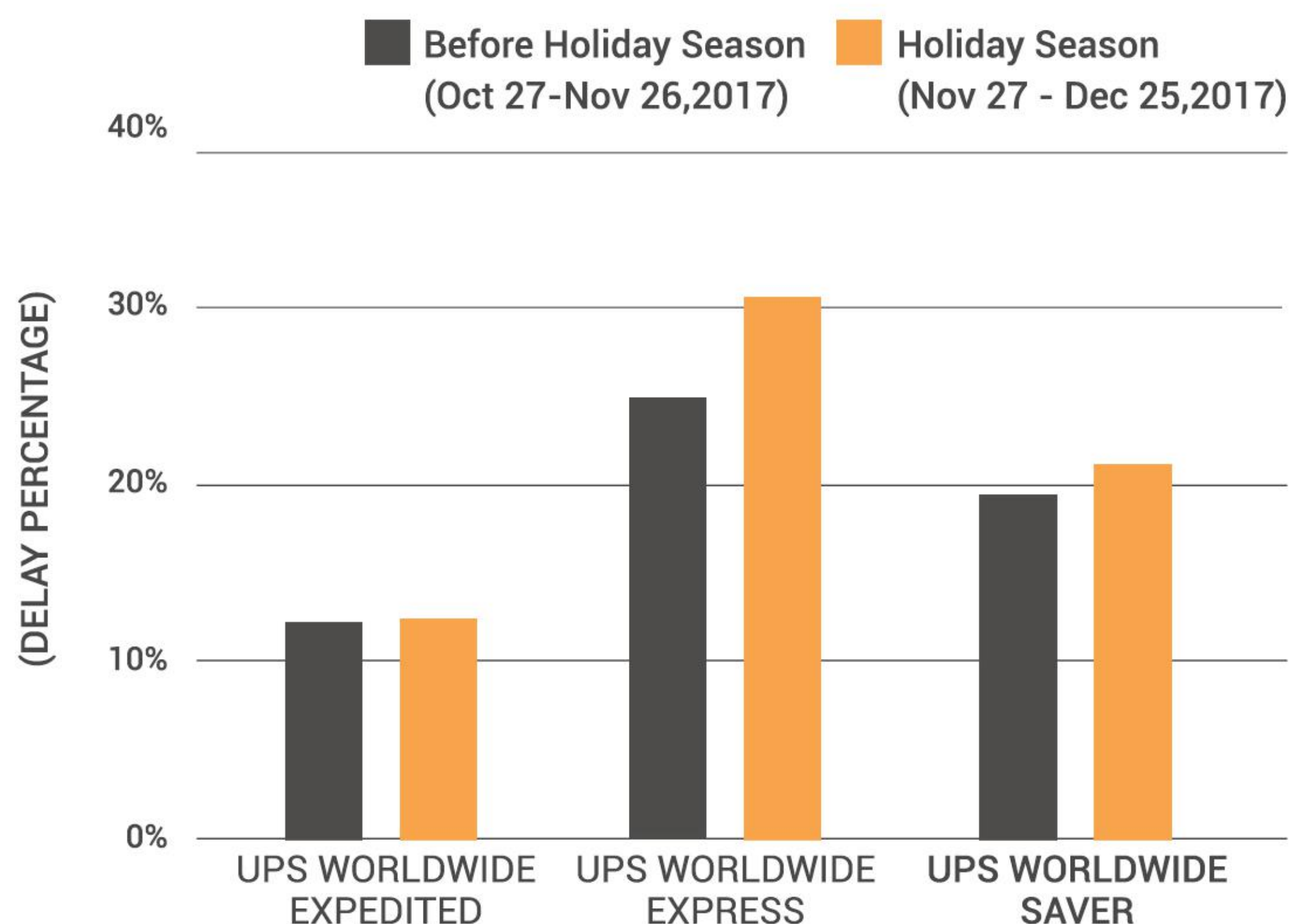
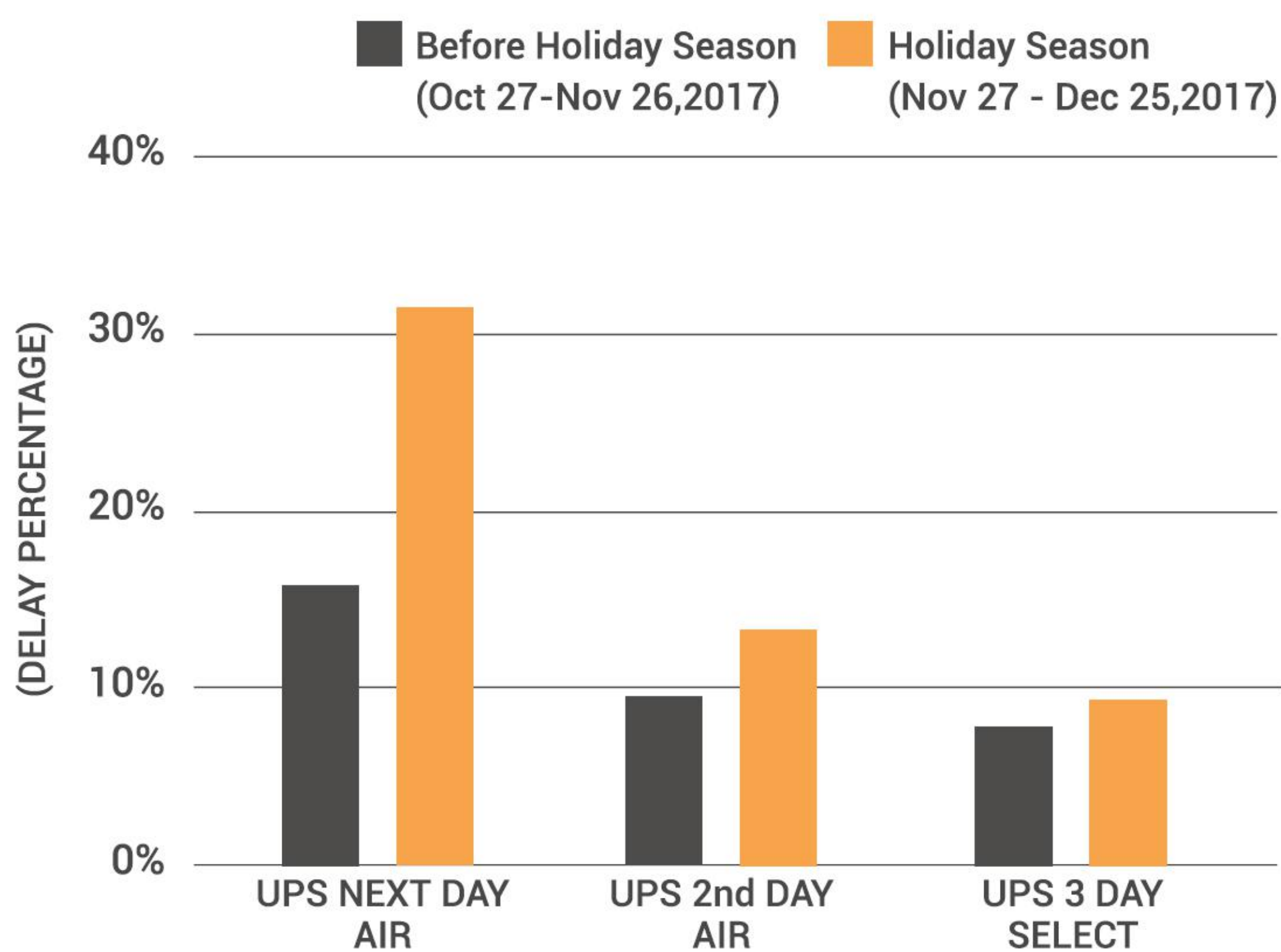


DELAY PERCENTAGE FOR UPS GROUND AND EXPRESS SERVICES BEFORE AND DURING HOLIDAY SEASON 2017

Of UPS Ground and UPS Standard, Standard services saw delays of around 19% during the holiday season

DELAY PERCENTAGE FOR UPS EXPRESS SERVICES BEFORE AND DURING HOLIDAY SEASON 2017

In UPS Express services, UPS Next Day Air had the most number of delayed deliveries compared to UPS 2nd Day Air and 3 Day Select during holiday season 2017



DELAYS RECORDED FOR UPS INTERNATIONAL SERVICES DURING HOLIDAY SEASON 2017

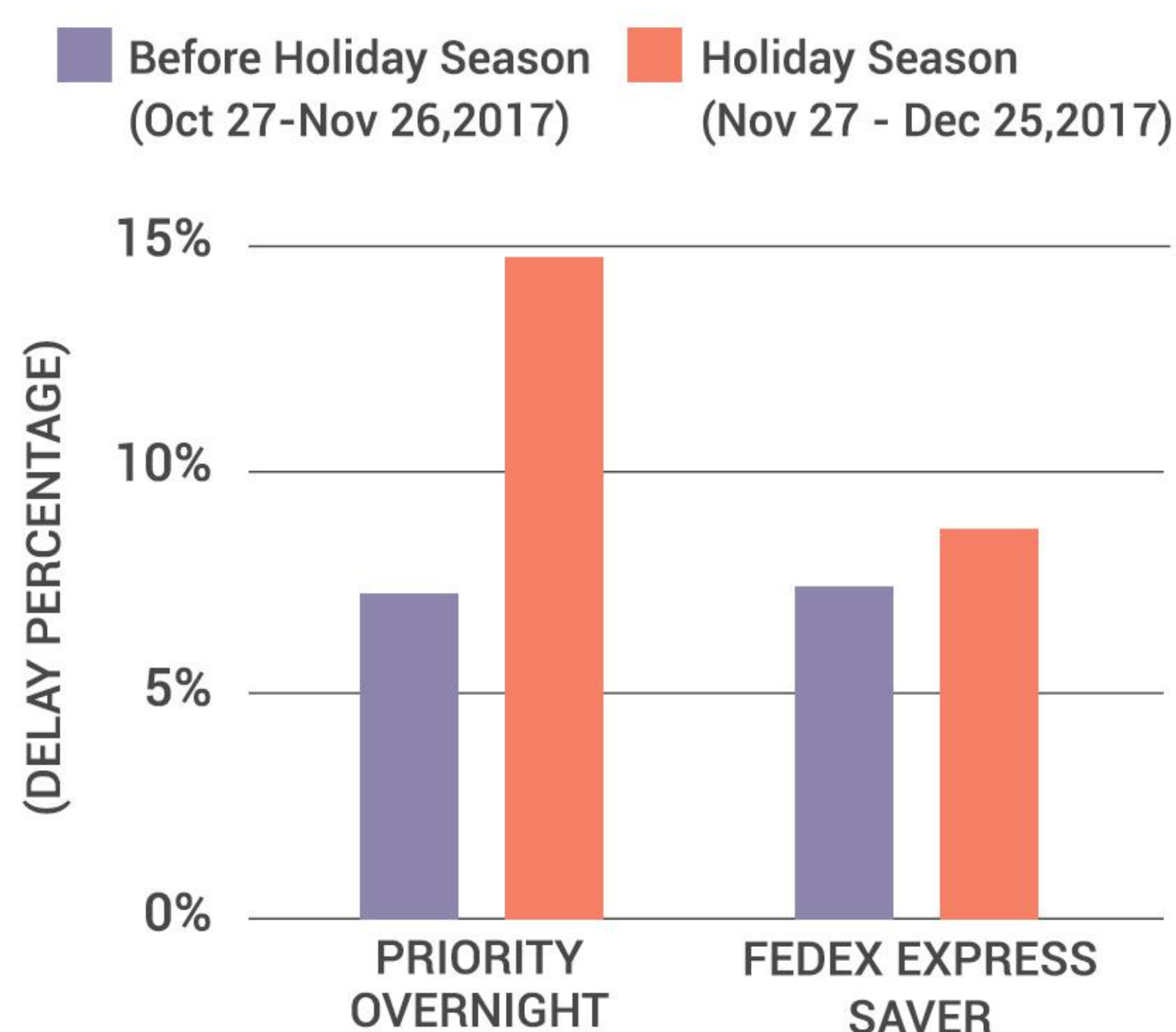
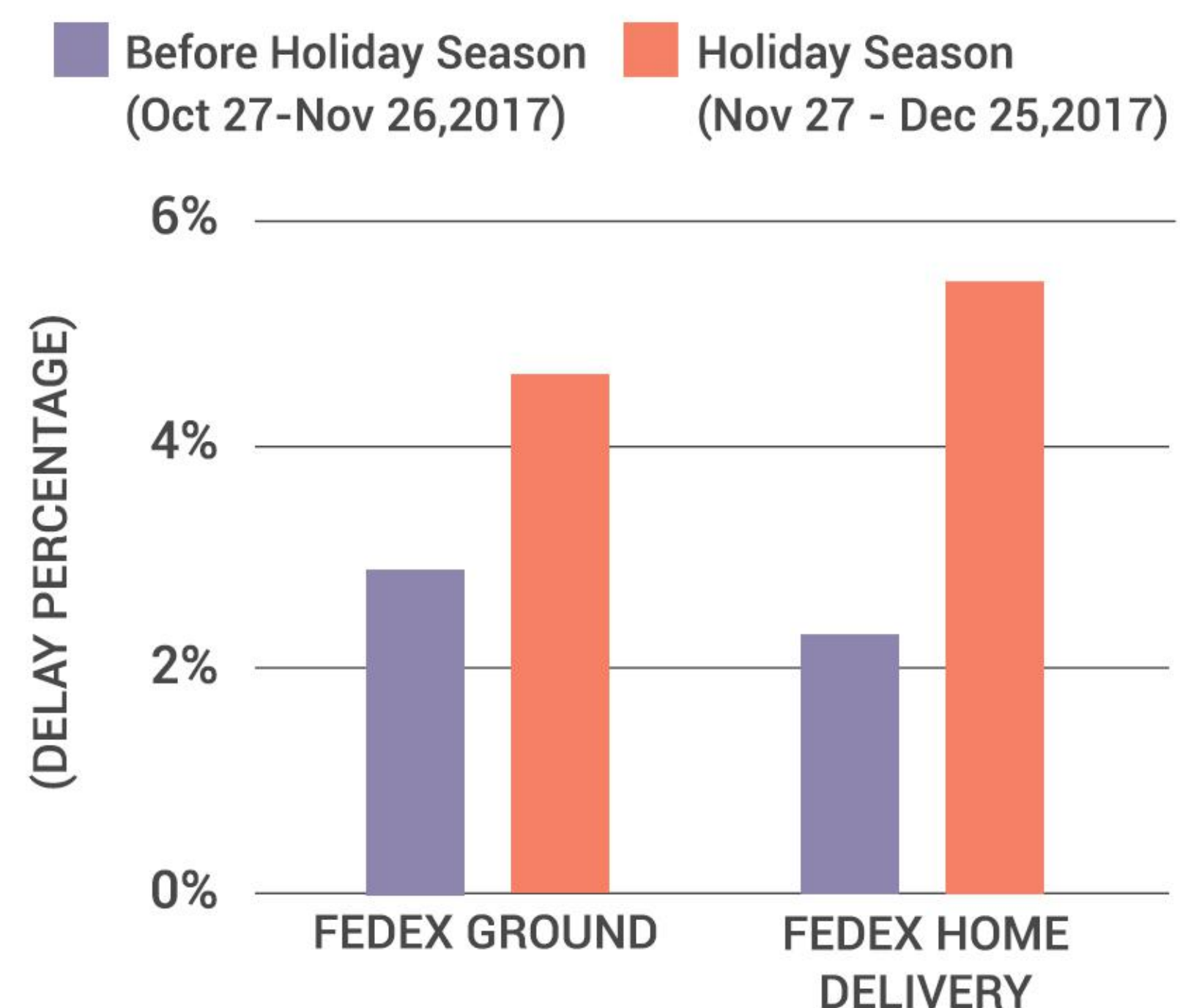
Considering International services, UPS Worldwide Express had the most recorded delays at around 30%, while UPS Worldwide Saver performed a little better with a delay rate of 21%



Delay rates for FedEx Ground and Express services are shown here for the period before Holidays and after Holidays in 2017

DELAY RATES OF FEDEX GROUND AND FEDEX HOME DELIVERY DURING HOLIDAY SEASON 2017

Looking at FedEx Ground and FedEx Home Delivery before and during Holiday season 2017, FedEx Home Delivery saw a higher percentage of delays at 5.6%



DELAY RATES FOR FEDEX EXPRESS SAVER AND PRIORITY OVERNIGHT

Of FedEx services, FedEx Priority Overnight saw a higher percentage of delays at close to 15% during the holidays.

The Ugly Side Of Same-Day Delivery

Package delay rates vary markedly between air and ground as shipments shipped via express services are given more priority. Although a higher priority is accorded to these shipments, by ignoring the infrastructure challenges, businesses often pay a high shipping cost despite the known

risk of a delivery delay. Keeping in mind that shipping carriers are straining to handle the holiday rush, a business paying for premium services cannot be sure of receiving an on-time delivery assurance during the holidays.

Holiday Shipping vs Everyday Shipping

Consumer spending indicates that Holidays generate more than 35% of the year's revenue, but when the surge in online orders is beyond the ability of shipping carriers to handle, high customer frustration and a poor last-mile delivery experience is inevitable. Regardless of the reasons

for delivery issues during the holiday period, carriers cost businesses millions of dollars in sales and research suggests that 1 in 3 customers choose to never shop with a merchant after a negative delivery experience.

Untold Trick Of the Trade

Did you know that sometimes, shipping carriers deliberately leave behind oversized and heavy packages during holidays to accommodate more smaller sized packages on any mode of transportation?



KEY FINDINGS

+20%

In 2017, UPS faced major technical issues in its network and suffered up to 20% more delays than average, falling sharply behind its rival FedEx.

↑ 2.1x

2018 is expected to set holiday volume records for both FedEx and UPS. Shipment volumes are expected to increase by 2.1X the regular monthly average.

Do The Extra Resources Really Help?

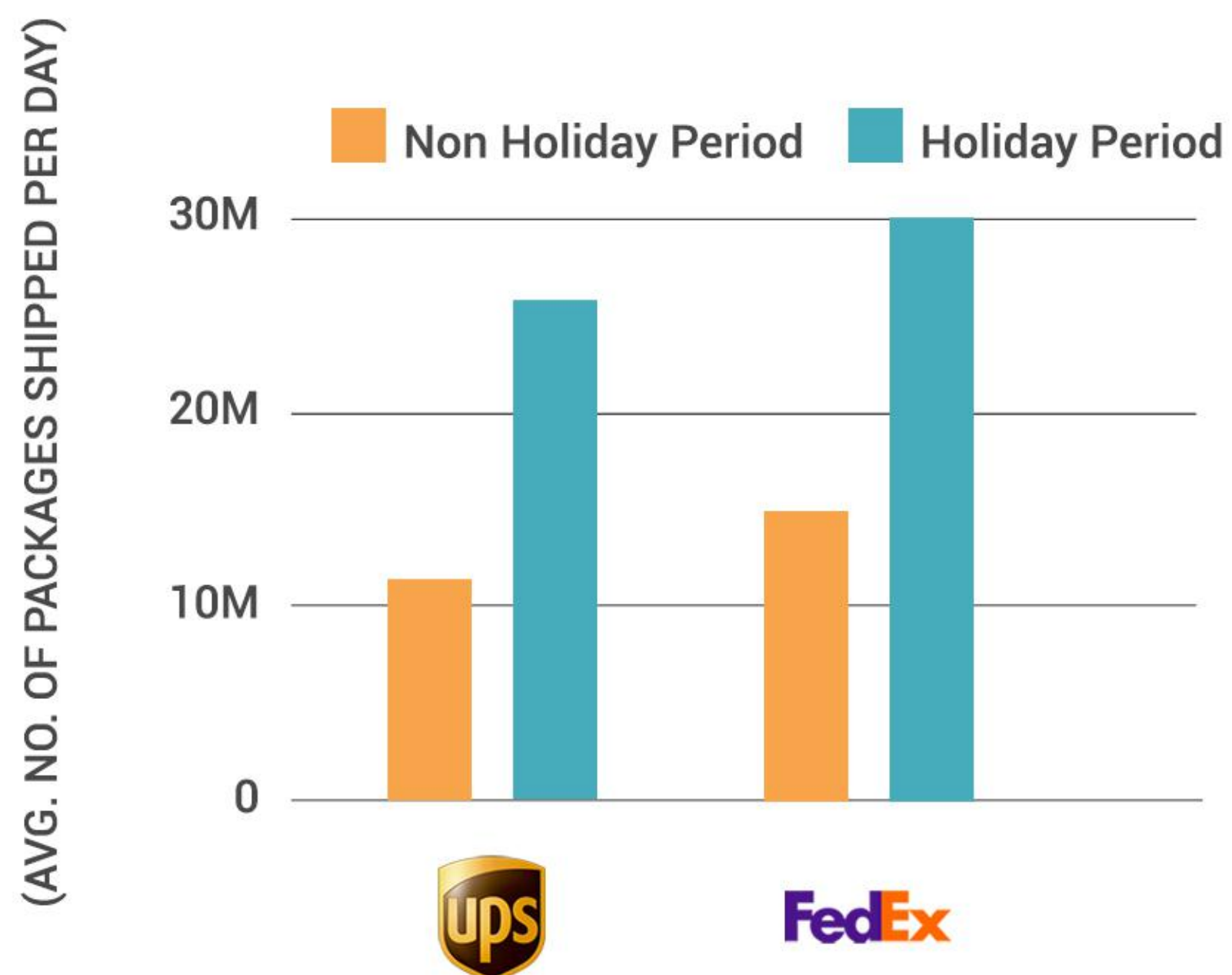
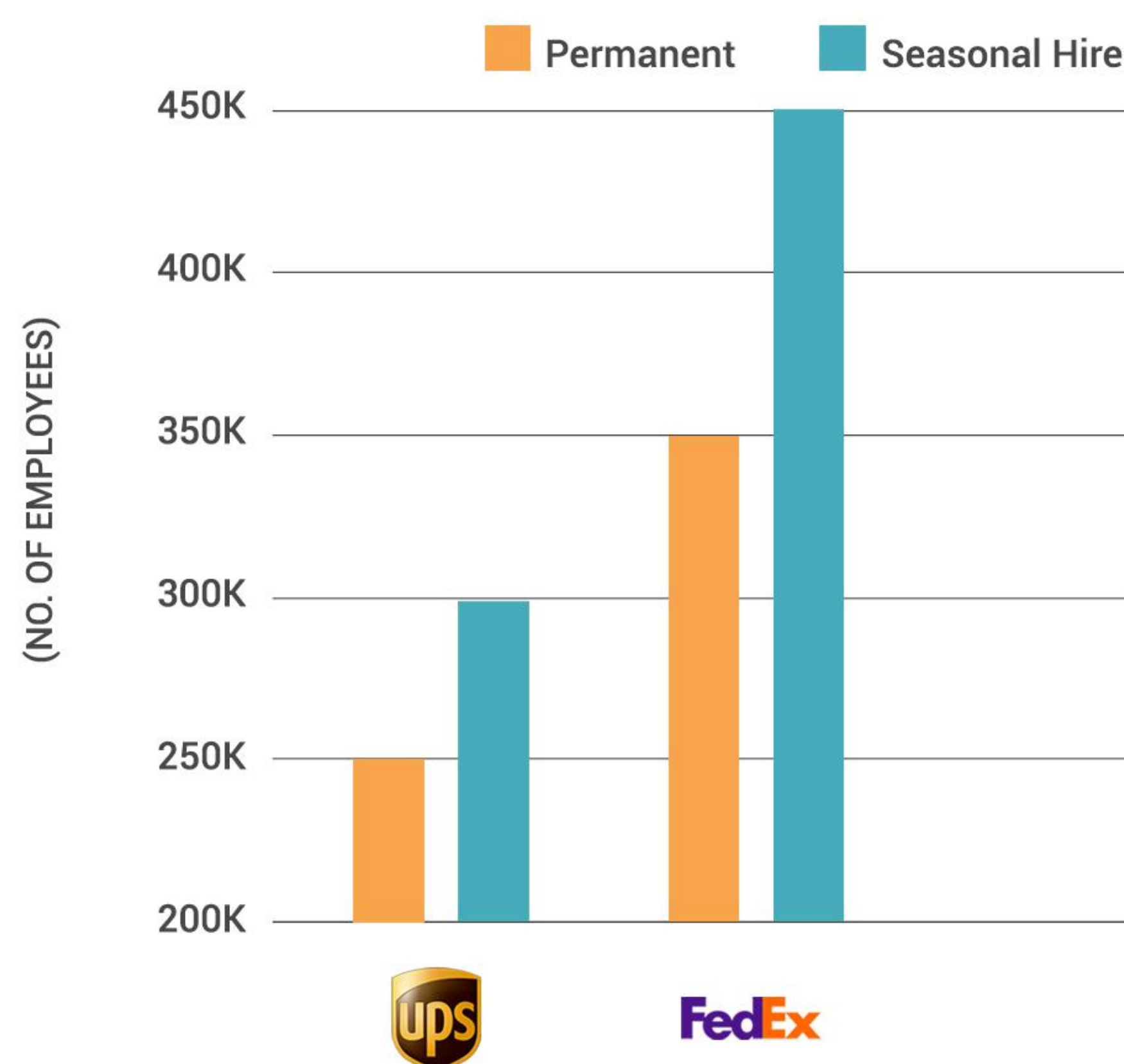
While shipping companies are generally equipped to handle the normal day-to-day flow of package orders, there's a gap in their ability to adjust to the 2X increase in orders over the holidays. Adding temporary workforce or fleets has only increased the

possibility of delivery errors as there is often a gap in operational-level skill and training. Even with the additional hiring, it is nearly impossible to find enough people or resources to cover the enormous rise in volume.

MAPPING THE INCREASE IN SHIPMENT VOLUME DURING THE HOLIDAYS

EMPLOYEES HIRED BY FEDEX AND UPS FOR HOLIDAY SEASON 2017

This graph displays the number of additional resources employed by FedEx and UPS just for the holiday season



AVERAGE NUMBER OF PACKAGES SHIPPED DURING HOLIDAYS VS NON HOLIDAYS

Packages shipped during the holiday season are almost twice as much as those shipped during an average month

But there are definite improvements.

In 2017, FedEx made significant changes to its holiday season game plan and ensured better performance. UPS on the other hand, suffered around 15% to 20% delays in 2017 owing to several technical

difficulties and understaffing. But for 2018, UPS has made significant improvements and are certain about being better organized.

Delays Impacting Retail Categories

As shoppers begin scouring stores for holiday specific purchases, retailers need to step up their game on the shipping front. Holiday season brings in several shipping challenges as some retail categories are hard pressed to use time-sensitive services to ship out their products.

Take industries like wine or apparel for instance. Gifts need to be shipped out in time for holiday gifting, a bottle of wine meant for Christmas dinner

simply cannot be delivered later. Most packages for such categories are shipped through premium express services as the product is extremely time sensitive.

Having a better understanding of which carriers or service types are more prone to delays, can help your business choose the right carrier or service type whilst keeping a lid on shipping costs.

KEY FINDINGS

 **5%**

Apparel industry faced the highest observed delay rate, with more than 5% increase in delivery delays when compared to non-holiday season metrics for 2017

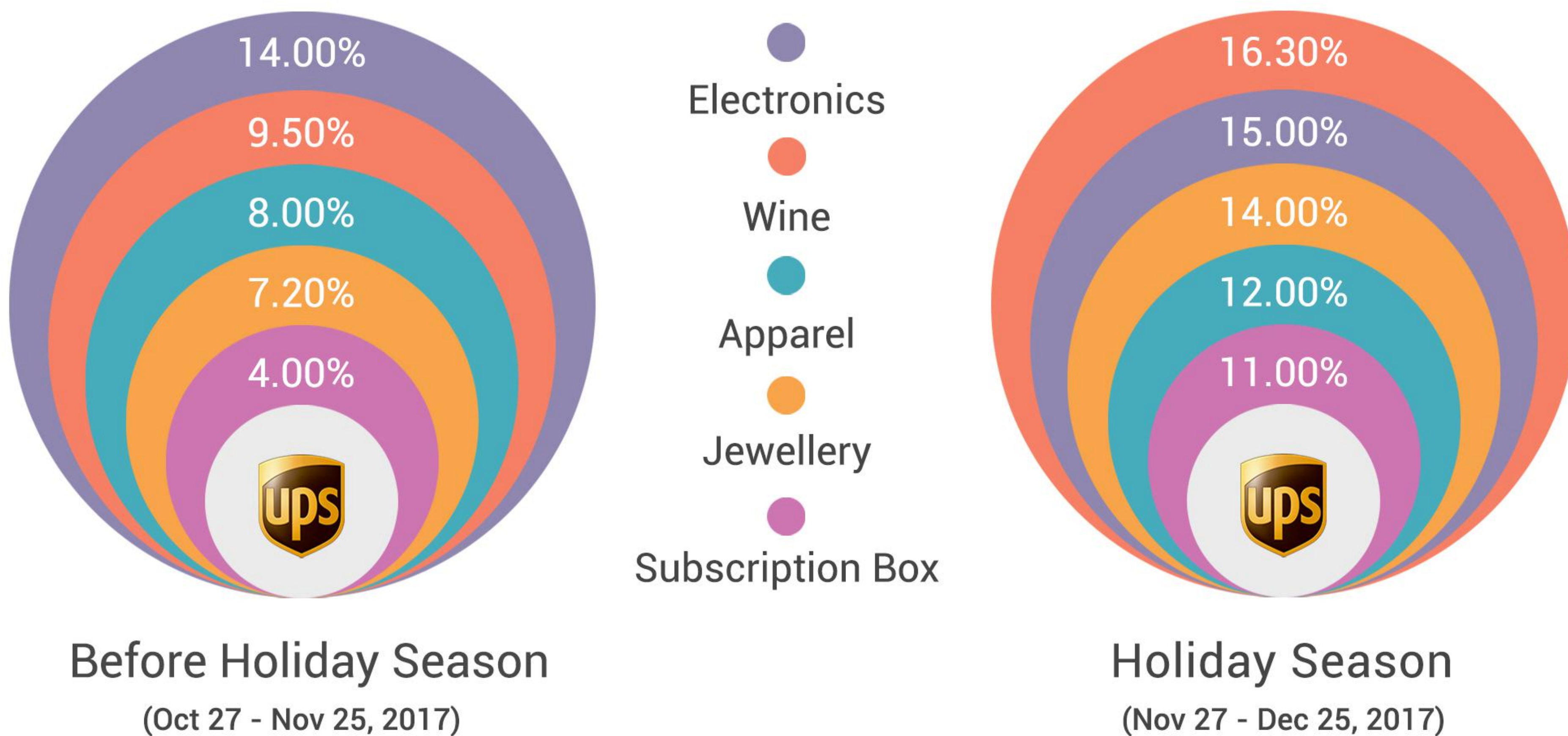
 **120%**

Industries like apparel, wine, and subscription box services saw a shipping volume increase of more than 120% during the holiday season. This is expected to continue in 2018

The Holiday-Gifts Waiting Game

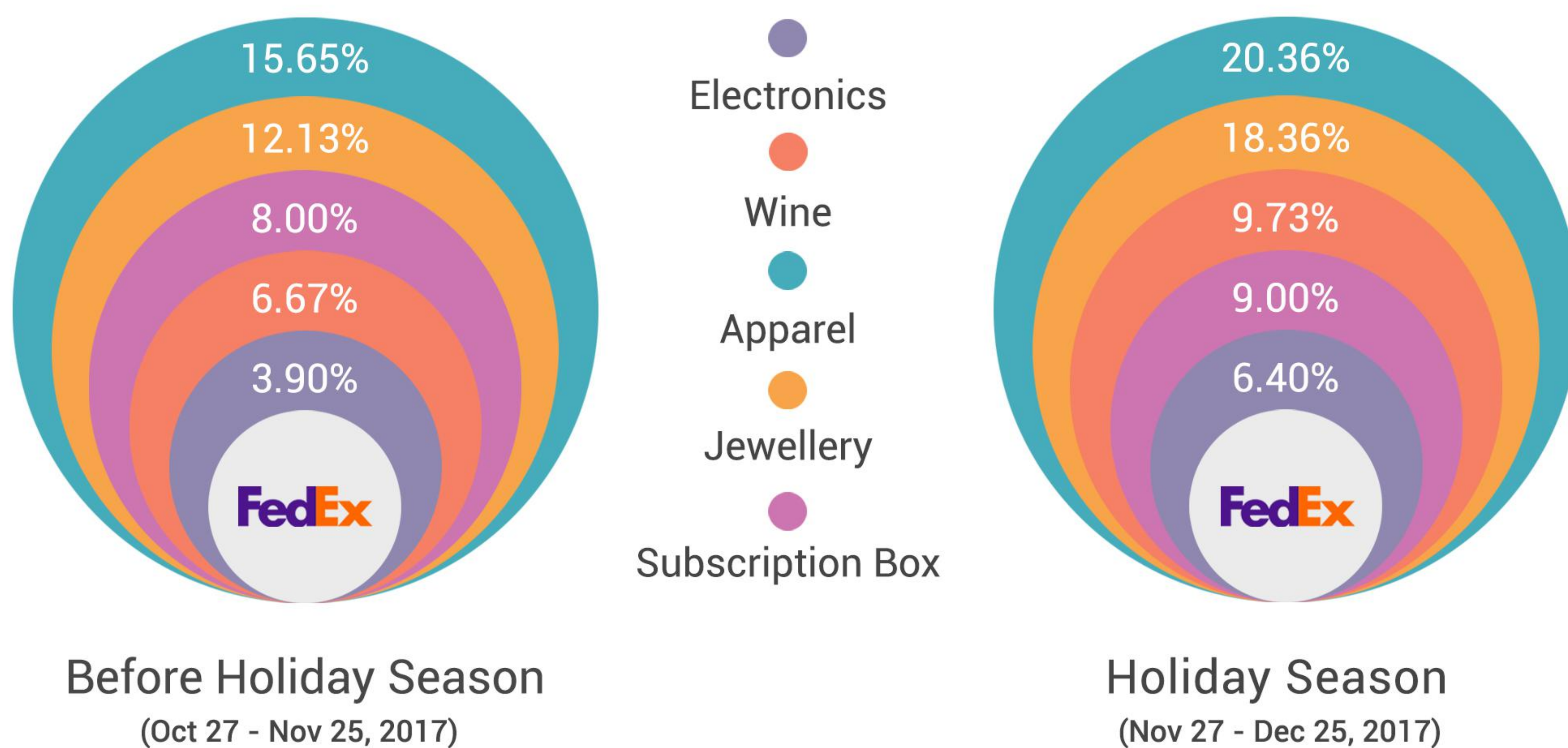
2017 Holiday season saw a marked increase in delivery delays for certain categories. Packages that required additional handling faced a higher probability of delays and scheduled deliveries were observed to take longer than average during the holidays.

DELAY PERCENTAGE FOR RETAIL CATEGORIES SHIPPING WITH UPS DURING HOLIDAY SEASON 2017



Subscription boxes, wine, jewellery and apparel faced more delays with UPS

DELAY PERCENTAGE FOR RETAIL CATEGORIES SHIPPING WITH FEDEX DURING HOLIDAY SEASON 2017



Of the retail categories that shipped with FedEx, apparel and jewellery saw a definite increase in delays

What's so special about Mondays?

Did you know that Mondays see more packages shipped out than any other day of the week?

Delivery Delays Add To Monday Blues

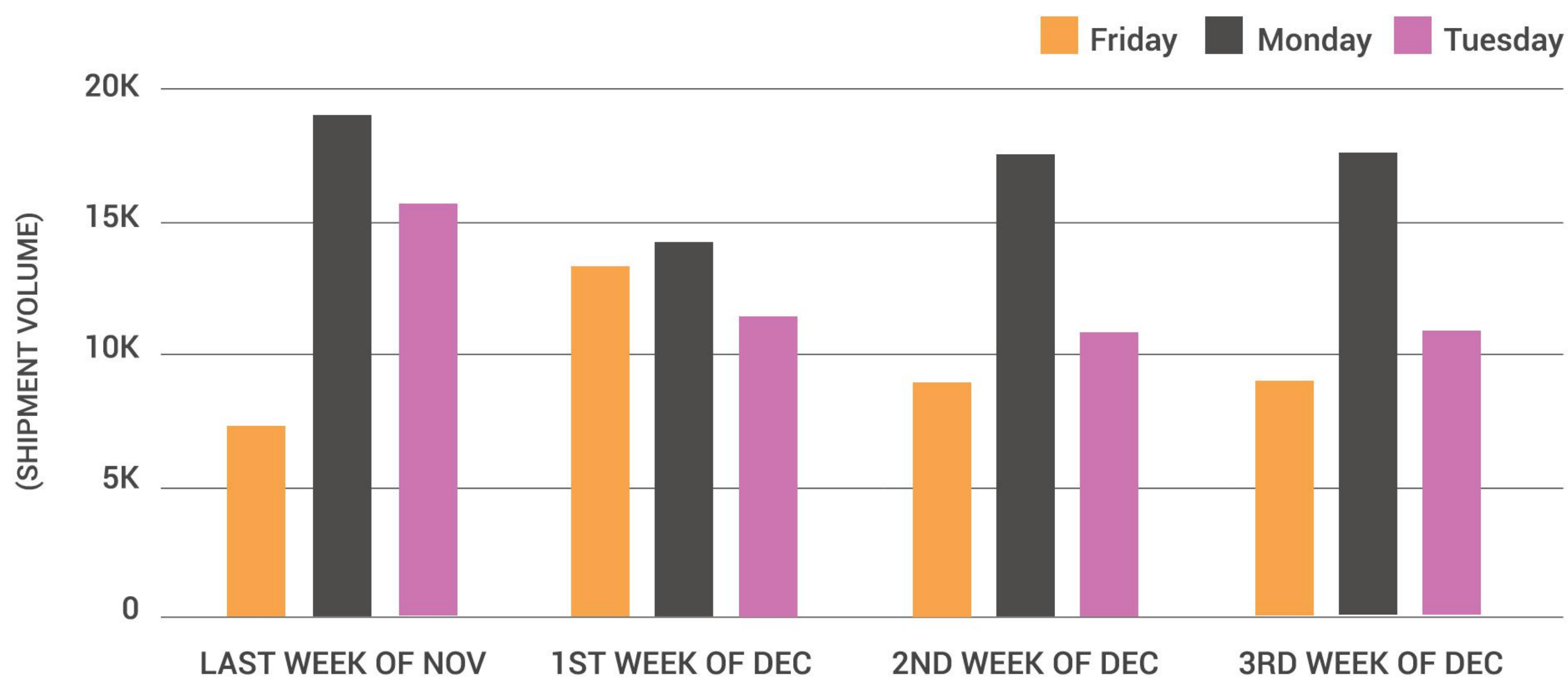
Rapid growth of e-commerce has driven significant shifts in shopper behaviour. Behind the dramatic rise in volume, Mondays stand out in particular. Holiday promotions and shifting buying patterns has seen an increase in demand for packages to be shipped out on

Mondays during peak periods. Mondays will see FedEx or UPS operating at a peak threshold since all orders placed on Saturday or Sunday, will be shipped the following Monday.

Manic Mondays.



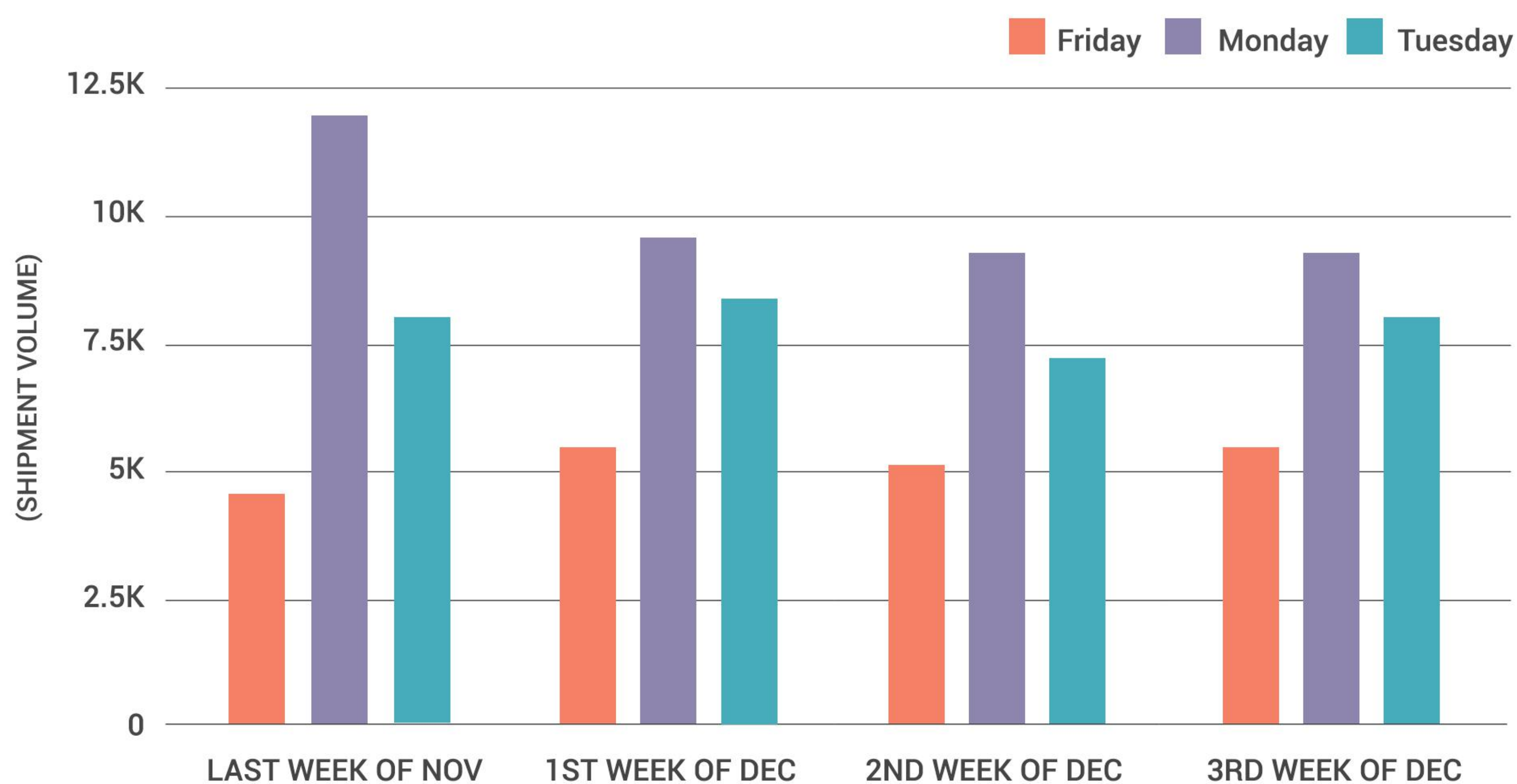
Mondays are the most common days for packages to be shipped out using UPS



UPS SHIPMENT VOLUME FOR SPECIFIC DAYS OF THE WEEK DURING HOLIDAY SEASON 2017



Mondays see a hike in most packages shipped out through FedEx as well during the holiday season



FEDEX SHIPMENT VOLUME FOR SPECIFIC DAYS OF THE WEEK DURING HOLIDAY SEASON 2017

The road ahead...

FORECASTING DELIVERY TRENDS AND THREATS FOR HOLIDAY 2018

After investigating how shipping carriers measured up in terms of executing against their delivery promises in 2017, we see FedEx and UPS will scramble to keep up with the surge in online orders this year too, compromising shopper expectations around on-time deliveries.

We expect to see a similar amount of delays as the previous years, irrespective of holiday specific investments in fleet sizes, hubs, workforce and technology. Observing the performance of both carriers following Black Friday will throw light on how things pan out closer to the Christmas rush.

2018

Delay Index By States

Shipping carrier performance across different states depends on various factors, be it package route congestion, bad weather or network discrepancies.

For 2018, let's take a quick look at what's changed - and what the performance metrics for these providers suggest. Both UPS and FedEx had an alarmingly high rate of delivery delays during the last holiday season, but 2018 will see the following delay rates.

THE AVERAGE DELAY RATE
ACROSS STATES WILL BE
AROUND 8%

8% (APPROX.)

SOME WORST AFFECTED AREAS
WITHIN THE U.S. WILL SUFFER
DELAYS OF 15% OR ABOVE

+15%

Apart from highly populated metros, a high percentage of delays can be seen in the countryside and inaccessible areas. Other outliers include those affected by bad weather from hurricanes or snowstorms. During the 2017 holidays for instance, delivery performance around Florida and Georgia took a severe hit.

Ensure that your customer service team is trained to track and monitor shipments that are shipped through cities and regions with high possibility of delays, while continuing to constantly look out for specific areas that are particularly doing worse in 2018

“

CITIES LIKE NEW YORK AND LOS ANGELES ARE ANTICIPATED TO SUFFER THE MOST NUMBER OF DELAYS IN 2018

”

Delay Index by Service Type

With many major service types performing 2X to 3X worse than other time periods during the year in 2017, the same is expected to continue in 2018 as well. However, we anticipate fewer delays from UPS compared to 2017, with their overall performance being very close to FedEx.

However, matching their holiday season delivery performance to even the less congested shipping months before holidays, is quite impossible as shipping carriers cannot afford to overinvest in holiday specific resources that will not be used during the rest of the year.



PREMIUM SHIPPING OPTIONS LIKE **OVERNIGHT AND 2ND DAY** ARE PREDICTED TO PERFORM WORSE THAN THEIR INEXPENSIVE COUNTERPARTS, DESPITE THE HIGHER COST



FOR FEDEX SHIPMENTS, WE EXPECT THEIR **EXPRESS** SERVICE TO PERFORM BETTER THAN THEIR GROUND SERVICE. WITH UPS, THE OPPOSITE IS EXPECTED TO BE TRUE



HOLIDAY SEASON 2018 IS EXPECTED TO WITNESS UP TO **3X** MORE DELAYS IN ON-TIME DELIVERY FOR MOST SERVICE TYPES THAN ANY OTHER PERIOD OF THE YEAR

Shipping Oversized Packages?

If your business ships items that are oversized or require additional handling, then 2018 is likely to be riddled with far more delays than previous holiday seasons.

This is especially true for industries like home appliances, electronics and automobile parts which need to be on a constant lookout for delays in the oversized packages they ship, as these will possibly face 2X more delays than standard sized shipments.



On-Time Delivery Drives Loyalty

Fundamental shipping carrier mistakes like delays, can derail the endeavours of crafting an exceptional last-mile customer experience. Technological innovations that eliminate last-mile friction points are proving increasingly popular with consumers and businesses.

Getting real-time visibility in the last-mile and mitigating customer dissatisfaction due to delivery errors is the key to providing a seamless and engaging customer-centric delivery experience.



+2X

Industries that ship oversized packages need to monitor shipments extensively as they will face higher delay rates of up to **2X** than other shipments.



Shoppers expect a retailer to communicate the status of their order delivery. Being proactive in addressing missed delivery issues, increases customer loyalty.

Conclusion

In conclusion, we have seen shipping carriers' delay percentage increase every holiday season, with a corresponding increase in shipment volume, and 2018 will not be any different despite any additional measures taken by the carriers this year. It therefore falls upon retailers to independently monitor and ensure that every package shipped out to customers reaches them on time, or

replacements are sent in on time for time sensitive shipments.

LateShipment.com has put out this report with the aim of bringing to light some of the data held by shipping carriers that never sees the light of day. We hope this will pave the path for more transparency from the shipping industry, so that retailers can create better last mile strategies for their customers.

Disclaimer

The data and information on this report is solely from shipments tracked by LateShipment.com, on behalf of its customers. While particular care has been taken to ensure that all data sets used are accurate and statistically relevant across the shipping industry, LateShipment.com is not responsible for any errors or omissions in the report.

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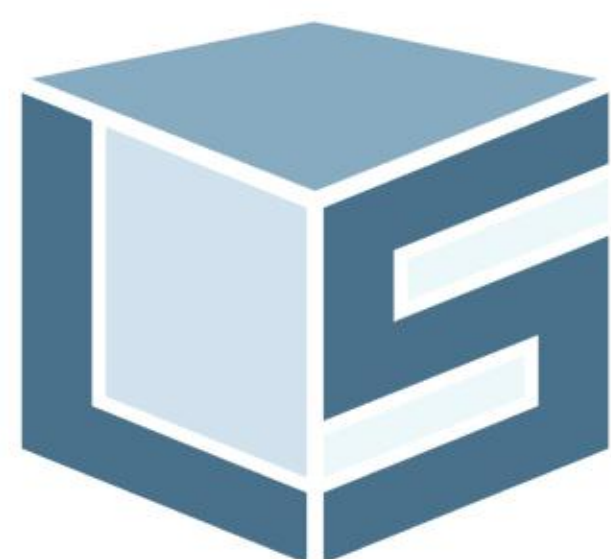
About

LateShipment.com

LateShipment.com is built on the tenets of bringing transparency to the shipping industry and solving key last-mile problems for businesses of all sizes. Our proprietary technology and unparalleled domain expertise in fulfilment logistics helps businesses save on shipping costs and also create an exceptional last mile delivery experience. We are committed to help businesses grow by providing actionable and unbiased visibility into supply chain, pricing and last-mile delivery trends.

Learn More

To find out more about LateShipment.com's parcel audit and last-mile technology solutions please visit www.lateshipment.com



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