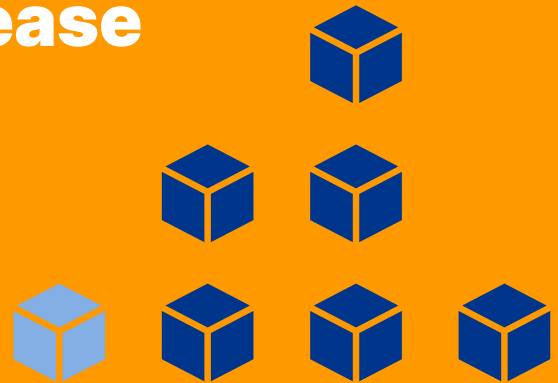


Breaking Down

The 2023 UPS
General Rate Increase



Is This What
“Better and Bolder”
Looks Like?



Is This What “Better and Bolder” Looks Like?

UPS has matched FedEx’s historic 6.9% average GRI for 2023, as expected. The increases will take effect on December 27, 2022.

There are no UPS customers that look forward to the annual GRI announcements. At least now, shippers can start serious budget planning for 2023 with more complete information and figure out how to mitigate the impending costs.

But while the two rivals’ headline increases are the same, there are some meaningful differences under the surface.

Since the 6.9% GRI from both carriers is an average, what really matters is the details within each announcement and what is happening with each company. We’ve already explained the impact of these factors for FedEx. You can find our FedEx 2023 GRI breakdown [here](#). And keep reading to learn how to receive our 2023 FedEx and UPS GRI Comparison Analysis, in which we’ll provide shippers with the granular understanding they need to make informed carrier choices in 2023.



Better and Bolder or BIGGER and Bolder?

All things considered, UPS shippers might wonder if the increase could have been even higher. Unlike FedEx, which also announced a 6.9% GRI, UPS appears to be operating from a position of relative strength.

All reports are that UPS is finding success by emphasizing revenue growth and developing a more profitable customer base. This is what UPS CEO Carol Tomé terms a “Better and Bolder” approach for the company’s future — an evolution of the carrier’s previous “better not bigger” strategy. And compared to FedEx, the financial results have been more positive of late.

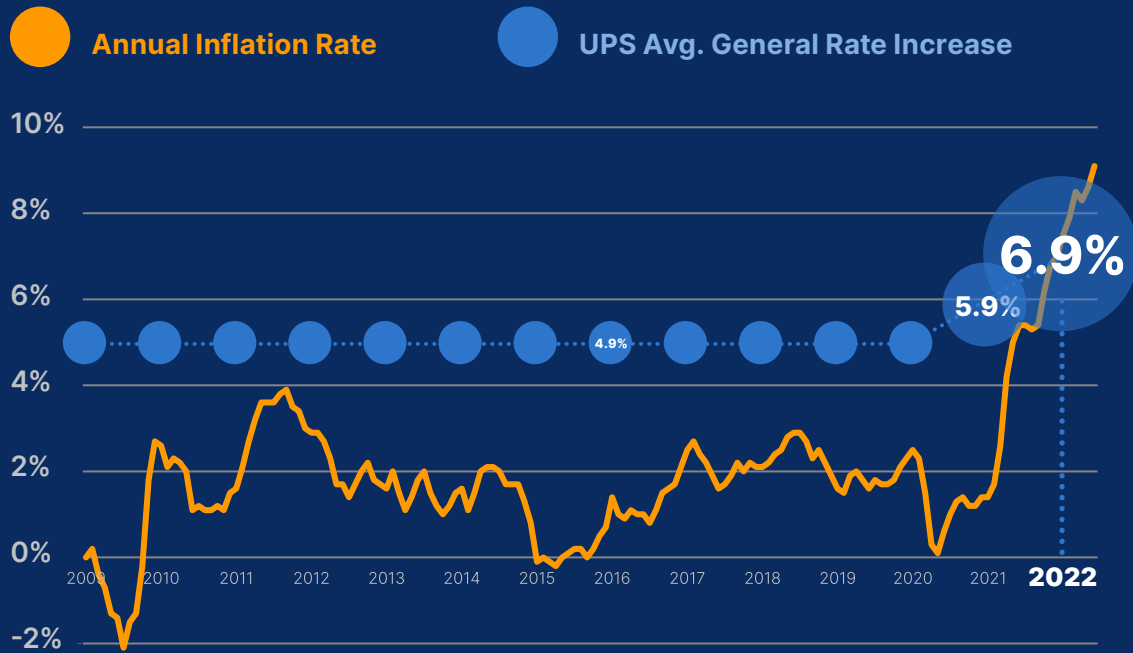


Tomé attributes much of the carrier’s success to operational execution, including its ability to leverage technology to better align daily capacity with customer demand. The carrier is also optimizing air and ground volume to make room for new customers, where it can drive more incremental value and margin. UPS’s earnings results during the last quarter were solid, if not strong, in a challenging market environment.

Perhaps tempering those positives in the mid- to long-term are some macroeconomic conditions being faced by the carrier. As Tomé has acknowledged, keeping up with inflation and rising operating costs remains a challenge that does not appear to be going away any time soon. The expectation from the carrier is that volume and revenue will continue to decline as the result of a potential recession.

Historical GRI with Inflation Rate

Not surprisingly, the record GRI is largely inflation driven.



Another concern for UPS is the potential for serious labor disruption in the spring of 2023. On one hand, declining market conditions may give the company some amount of leverage in negotiations. But, as the carrier learned with the last major work stoppage in 1997, a contentious strike is bad for brand perception and will undoubtedly cost UPS package volume if shippers become concerned a strike is imminent.

But those are problems that are out of shippers' control and can't be solved today.

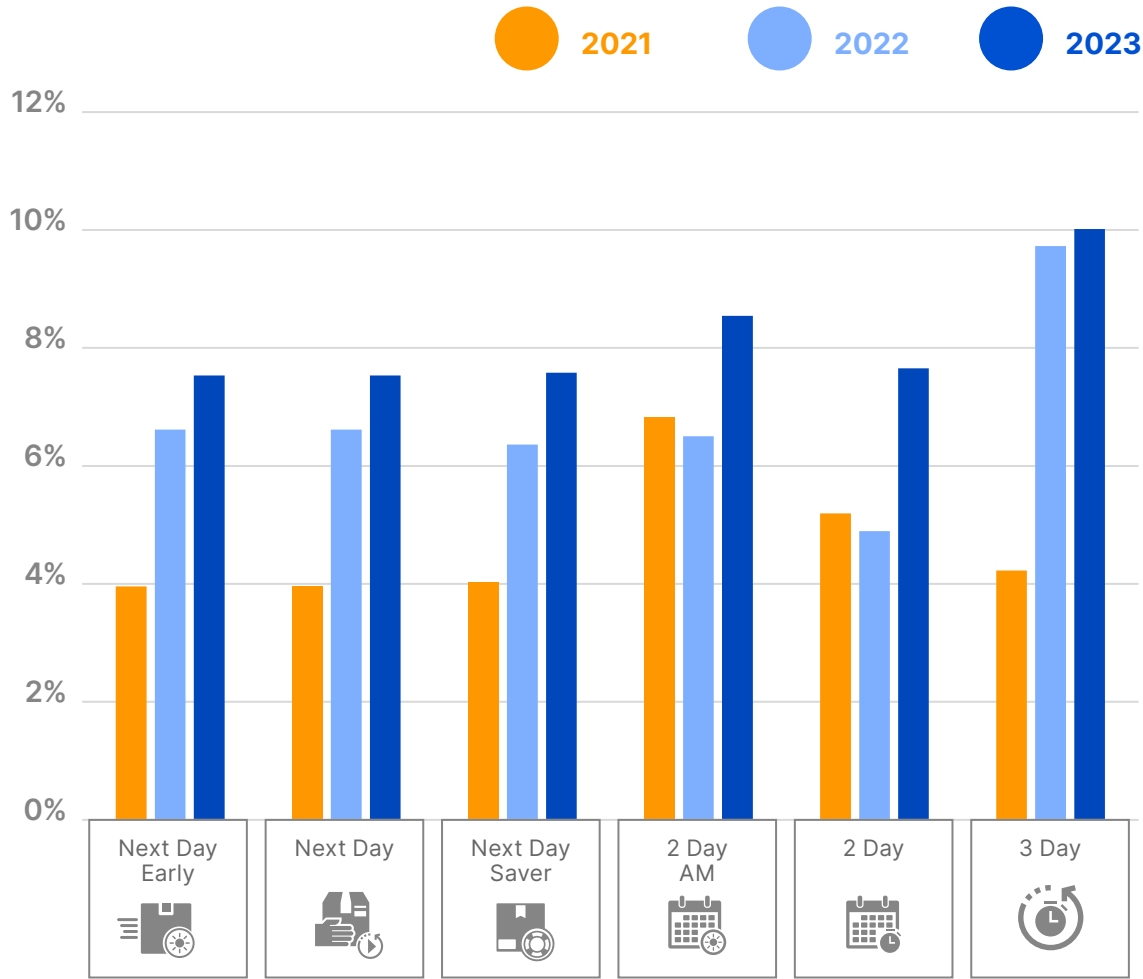
What matters most is figuring out what to do about the GRI right now. A closer inspection shows many areas with increases much greater than 6.9%. For example, the overall Domestic average increase is around 8%, and Accessorials come in at a 10% average.

Keep reading for the details of what Better and Bolder really looks like from UPS in 2023.

Domestic Express

The following illustration details the yearly increase percentage by service since 2021. This year's increases are the highest across each service level, with 3 Day, for the second year in a row, at about 10%. In 2023, the increases take the form of a flat amount for the given service level at every weight from 1 to 99 lbs.

Domestic Express yearly increase by service

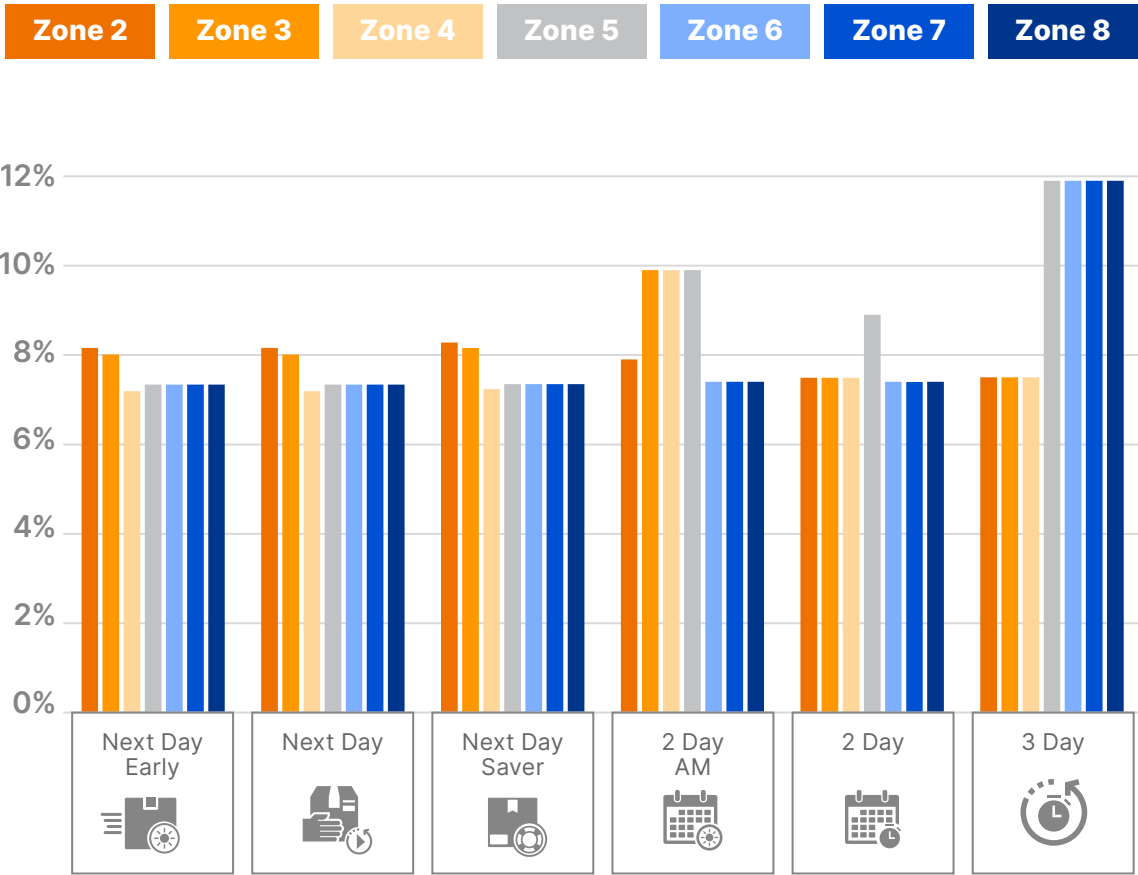


Domestic Express

The following illustration details the YoY increases by zone by service.

Notable are that the fastest service has the highest short-zone increases, and the increase by zone deepens with the slower services. These are important considerations in 2023 for any high-volume shipper with multiple distribution points close to its customers.

Domestic Express YoY increase by service by zone

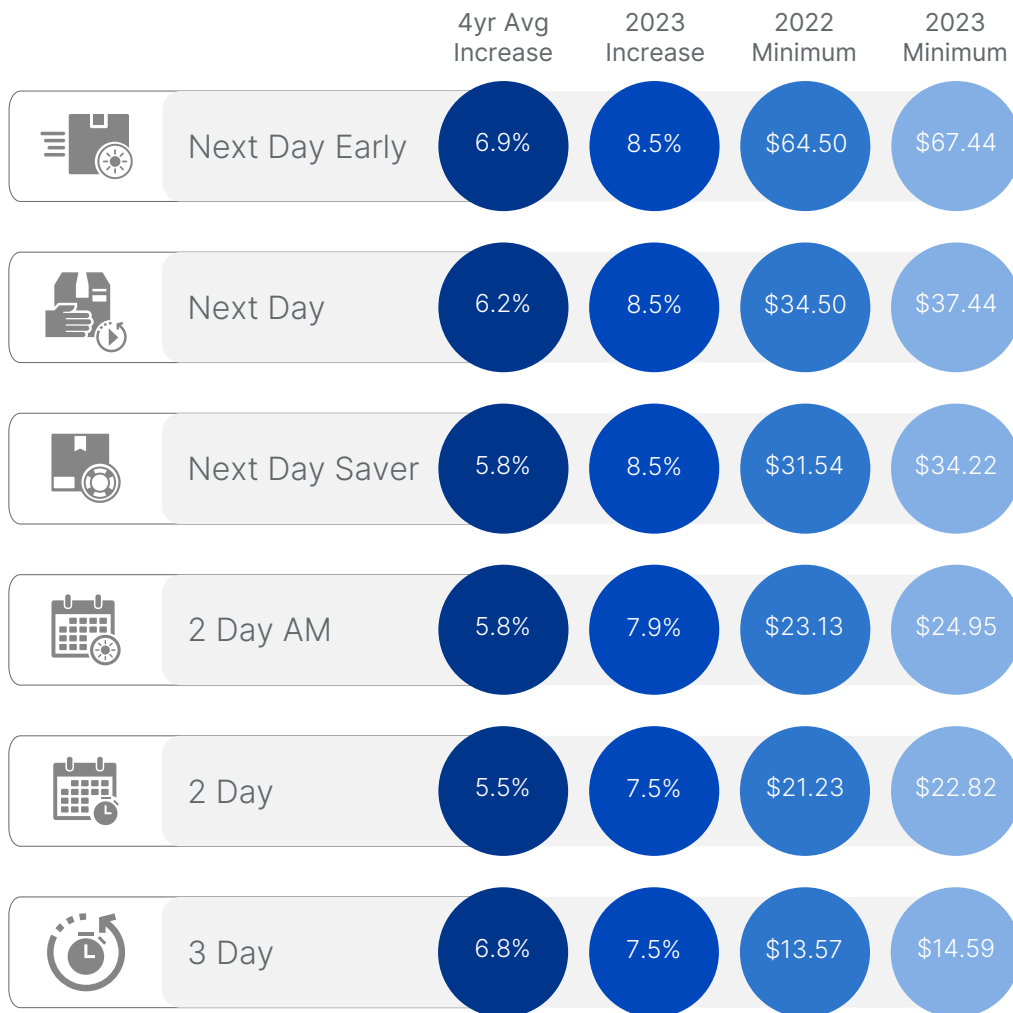


Domestic Express

The following table details the amount and percentage change for several Domestic Express Minimums.

Notable is that the rate of change to the Minimum charges has increased anywhere from 10% to 47% from the four-year average (e.g., at 7.5% the 2 Day Minimum is now 2.0% higher than its four-year avg. of 5.5%), contributing significantly to why this 2023 GRI is the largest ever.

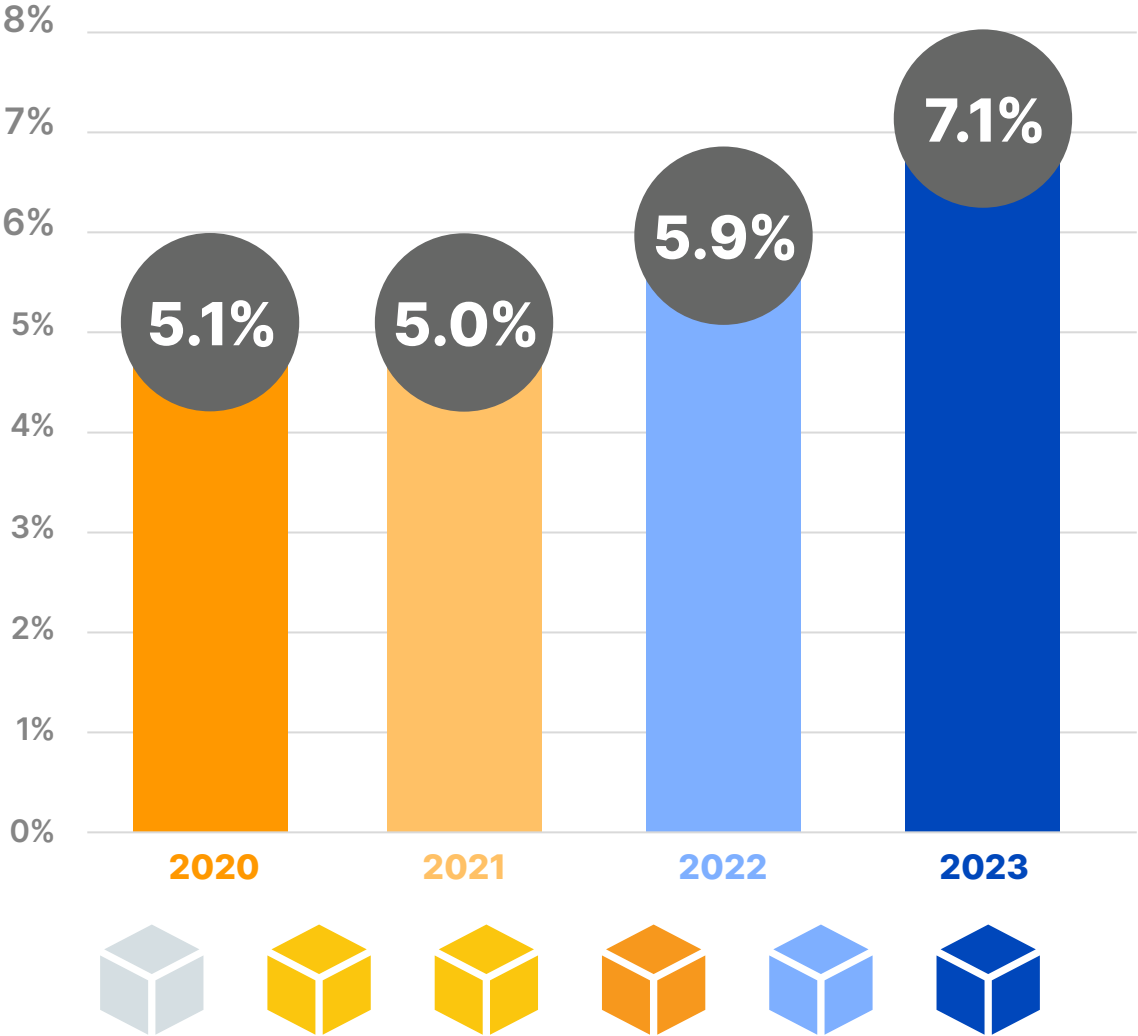
Express Minimum charge increases by service level



Domestic Ground

The following illustration shows the overall Ground increase for packages weighing up to 99 lbs. since 2020. **At 7.1% this year's increase is a full percent higher than in 2022.**

Domestic Ground overall increase by year



Domestic Ground

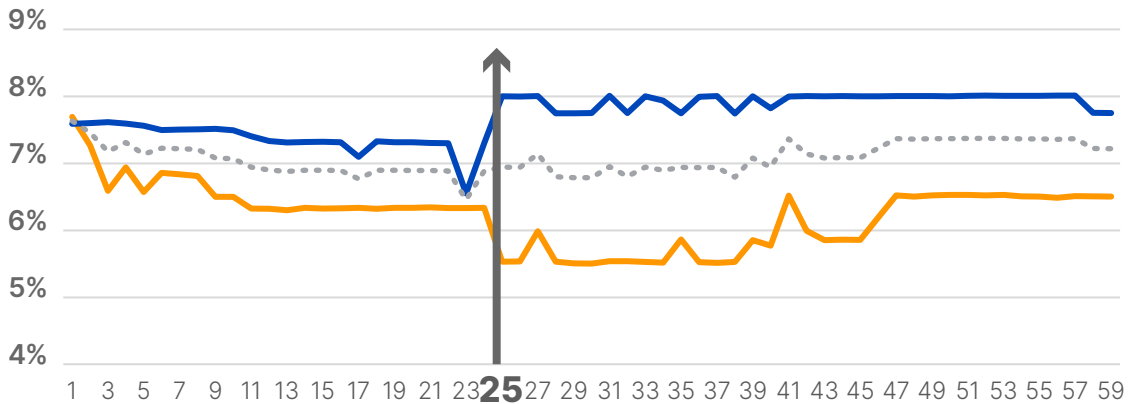
The following illustration details the overall Ground YoY percentage increase by weight, categorized by long (zones 5–8) and short zones (zones 2–4).

Note that all zones will increase a minimum of 5.5%.

Overall, UPS is focusing the increases to drive more revenue on packages that weigh more than 25 lbs. and travel long distances in its network. The increase for longer-zone shipments is up to 8% on packages over 25 lbs.

The average increase for zones 2–4 is 6.3%, and 7.7% for zones 5–8.

Domestic Ground YoY increase by weight and distance



6.3%

Zones 2-4

7.7%

Zones 5-8

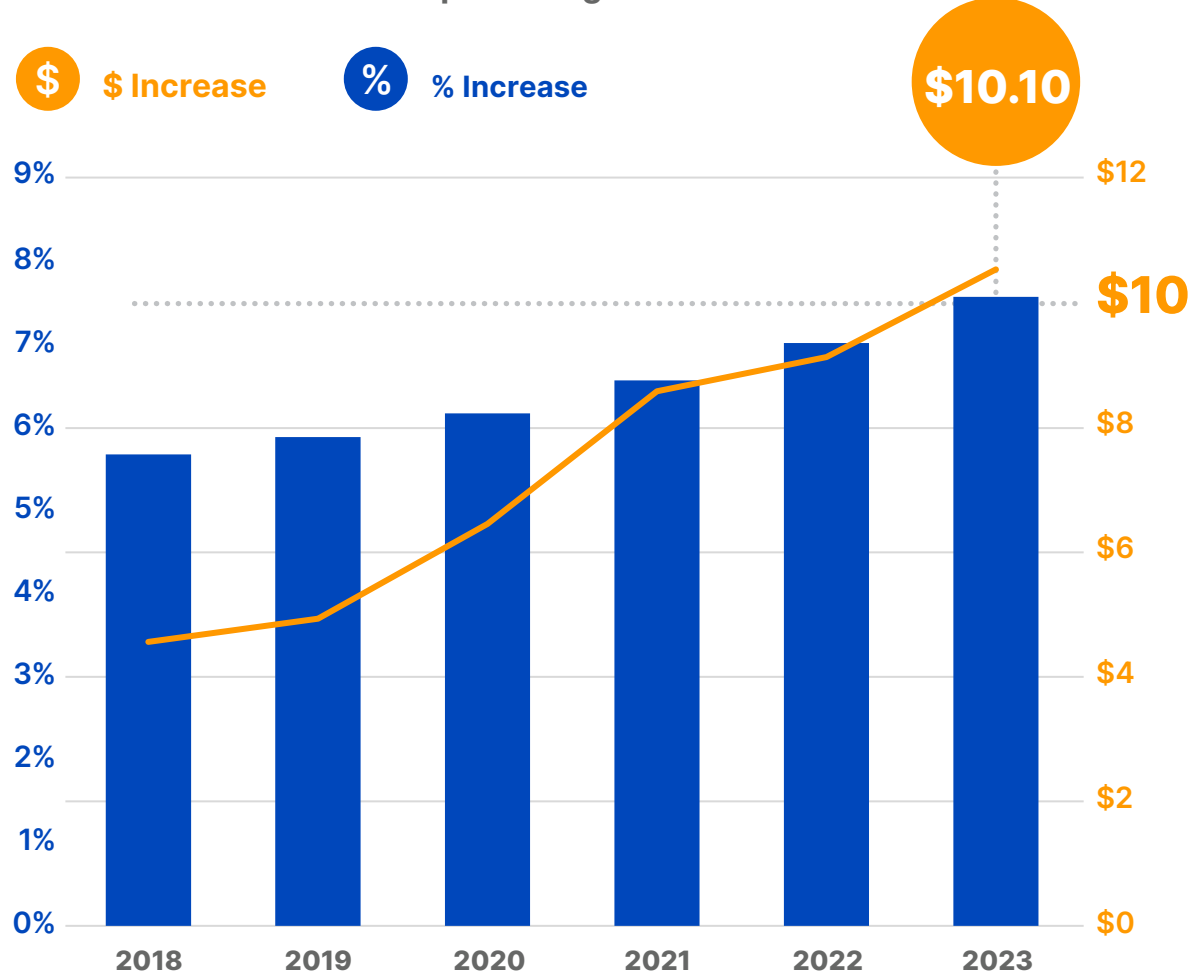
ALL Zones

Domestic Ground

The following illustration details the last six years' of published Ground Minimum charges, along with the percentage increase.

Next year will bring UPS's most aggressive Ground increase ever at 7.9%. The charge per package reaches double digits for the first time at \$10.10.

Domestic Ground Minimum percentage increase

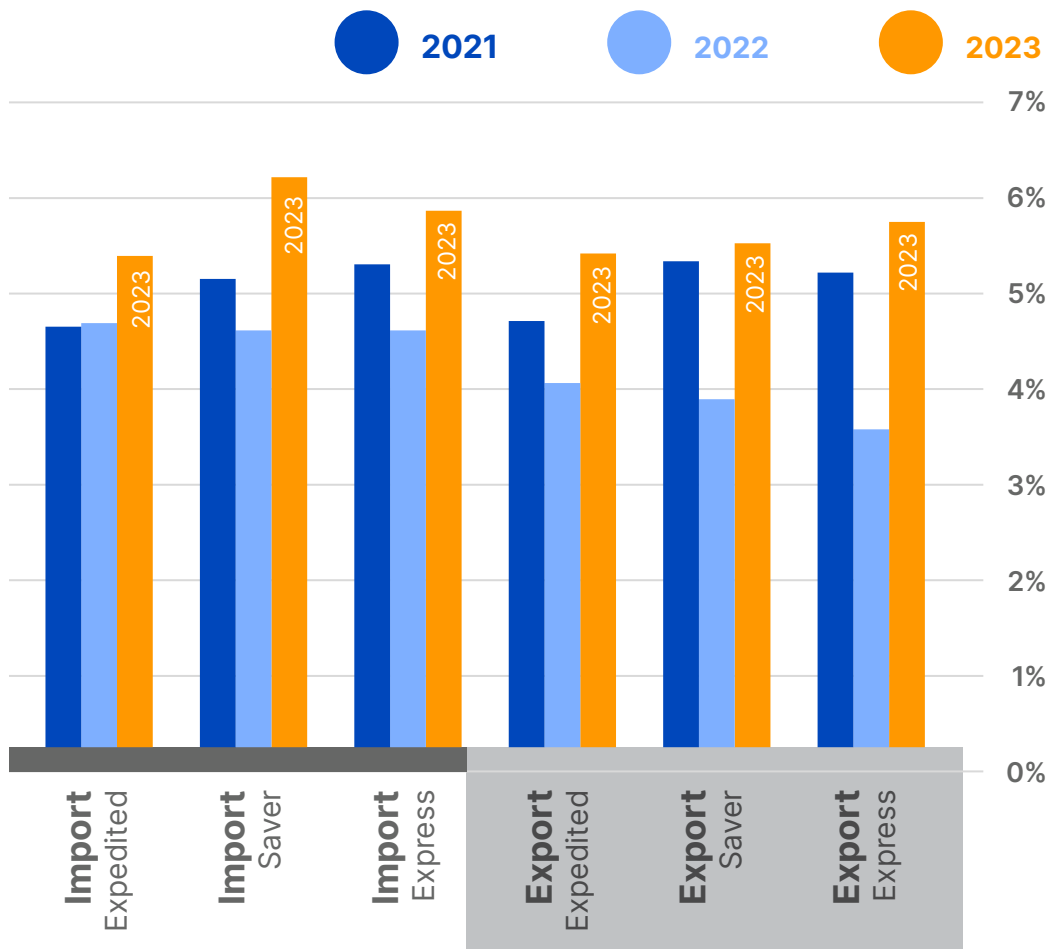


International

The following illustration details the increase by service type over the last three years for major **Import and Export services on packages weighing less than 99 lbs. Import services and services with slower transit times are seeing the largest increases.**

Overall, International increases are less than the 6.9% average GRI figure. But shippers should remember that since April of 2020 when UPS first implemented pandemic-driven “peak” surcharges, the carrier has put in place additional per pound surcharges that have risen and fallen during that time.

International increase by service

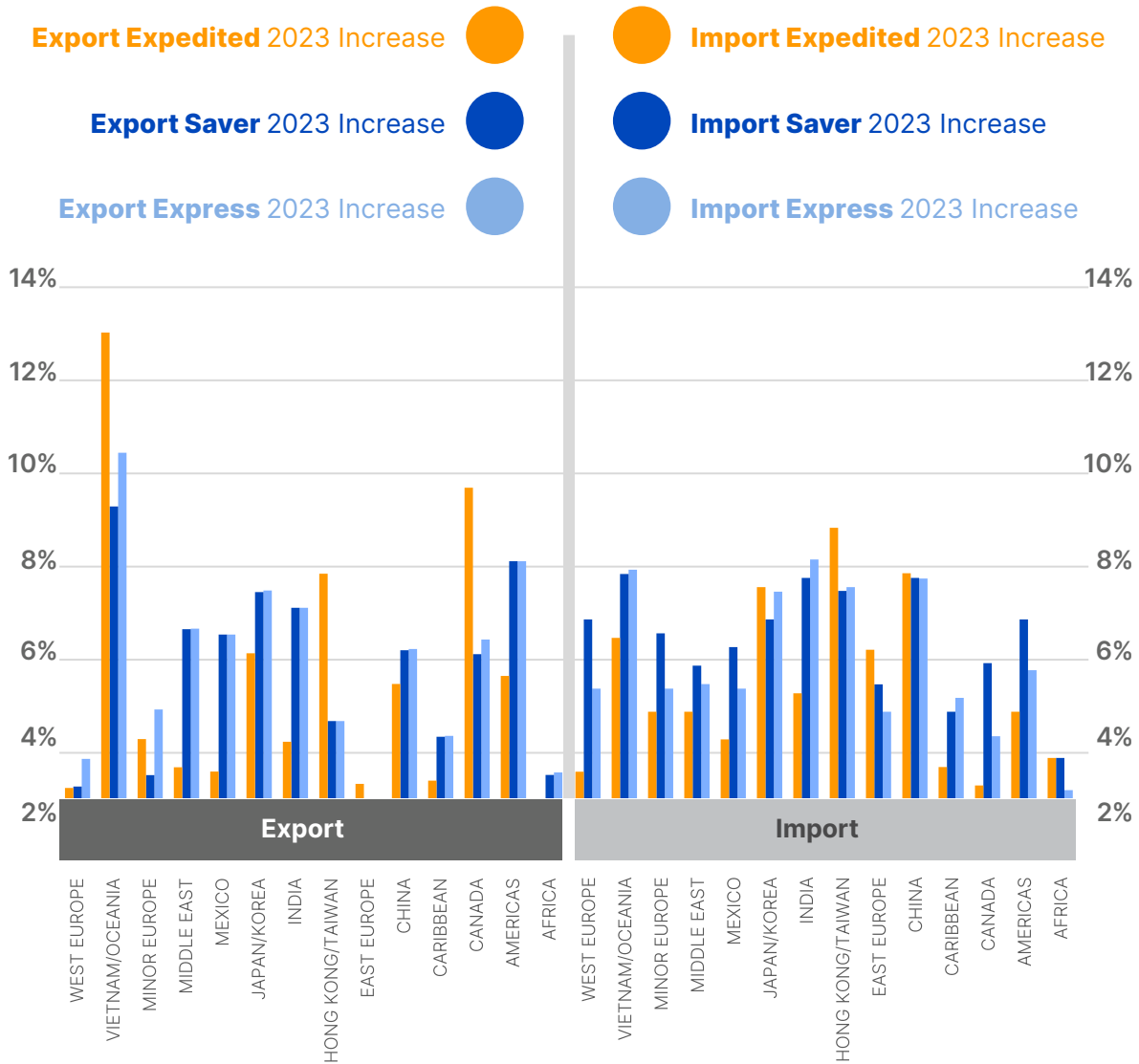


International

The following illustration details the YoY percentage increase by region for primary Export and Import services on packages weighing less than 99 lbs.

Companies shipping to Vietnam and Oceania are facing the largest increases, with a 13% increase in Export Expedited.

International percentage increase by region



Accessorials

Often overlooked in the GRI headline is that Accessorial charges are NOT included in the announced average increase of 6.9%.

Notable in the 2023 GRI is the dramatic 22% increase in Zone 2 Large Package Surcharge and the update to daily pickup fees, making it a flat rate regardless of volumes. Historically, the rate was determined by whether the account had an overall spend greater than \$75/wk – a rate which was \$19.50 in 2022. By making this a flat \$30 in 2023, UPS shippers with accounts that exceed \$75/wk in spend will experience a 54% increase to their pickup fees.

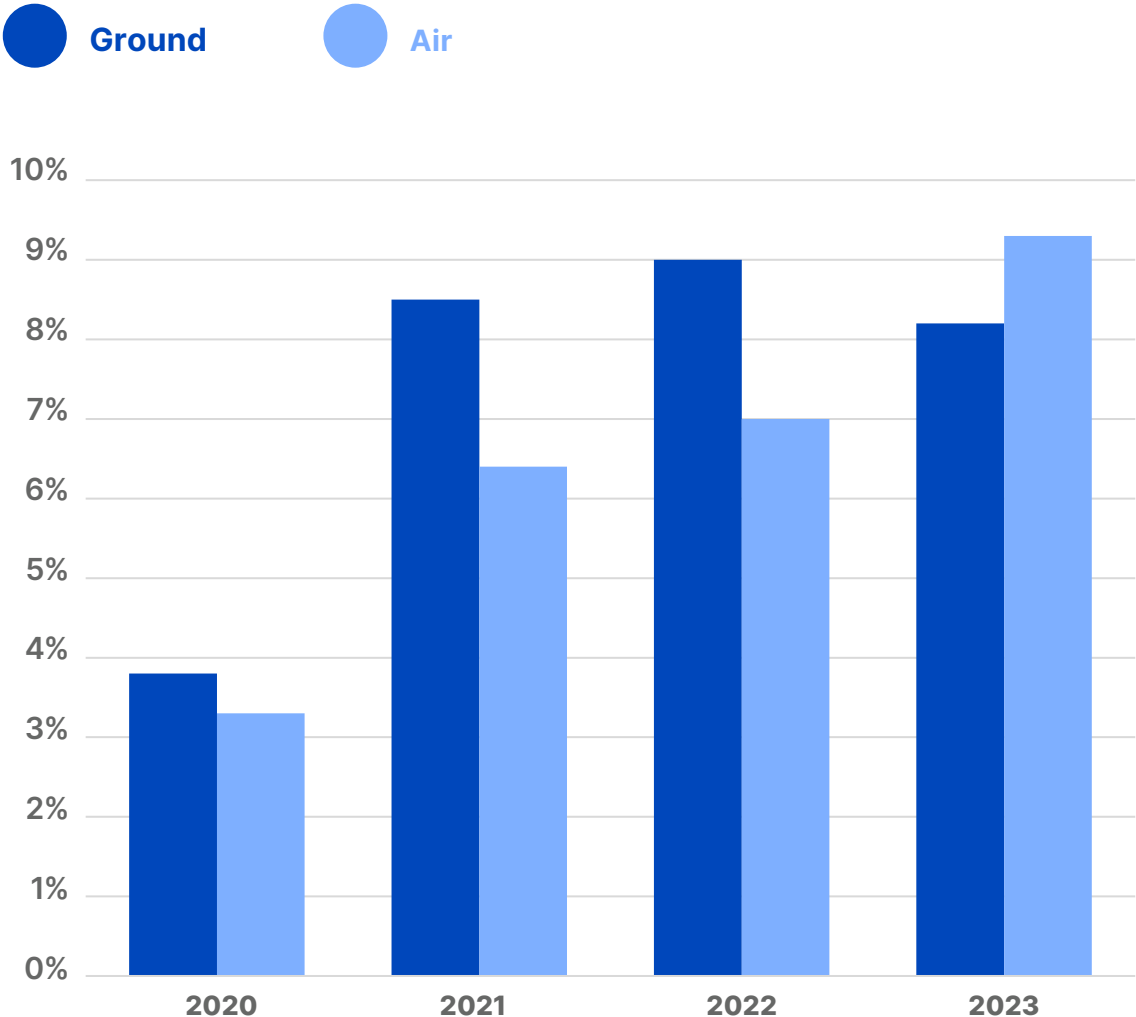
Keep reading for more details on the Accessorial charge increases, as these affect almost every shipment.



Residential Surcharge

The following illustration details the increase in Ground and Air Residential surcharges each year since 2020. Understandably, these increases are important to shippers in the growing ecommerce marketplace. Notable is a slightly smaller increase in the Ground Residential Surcharge in 2023 but greater increases for Air shipments.

Increase for Ground and Express Residential surcharges

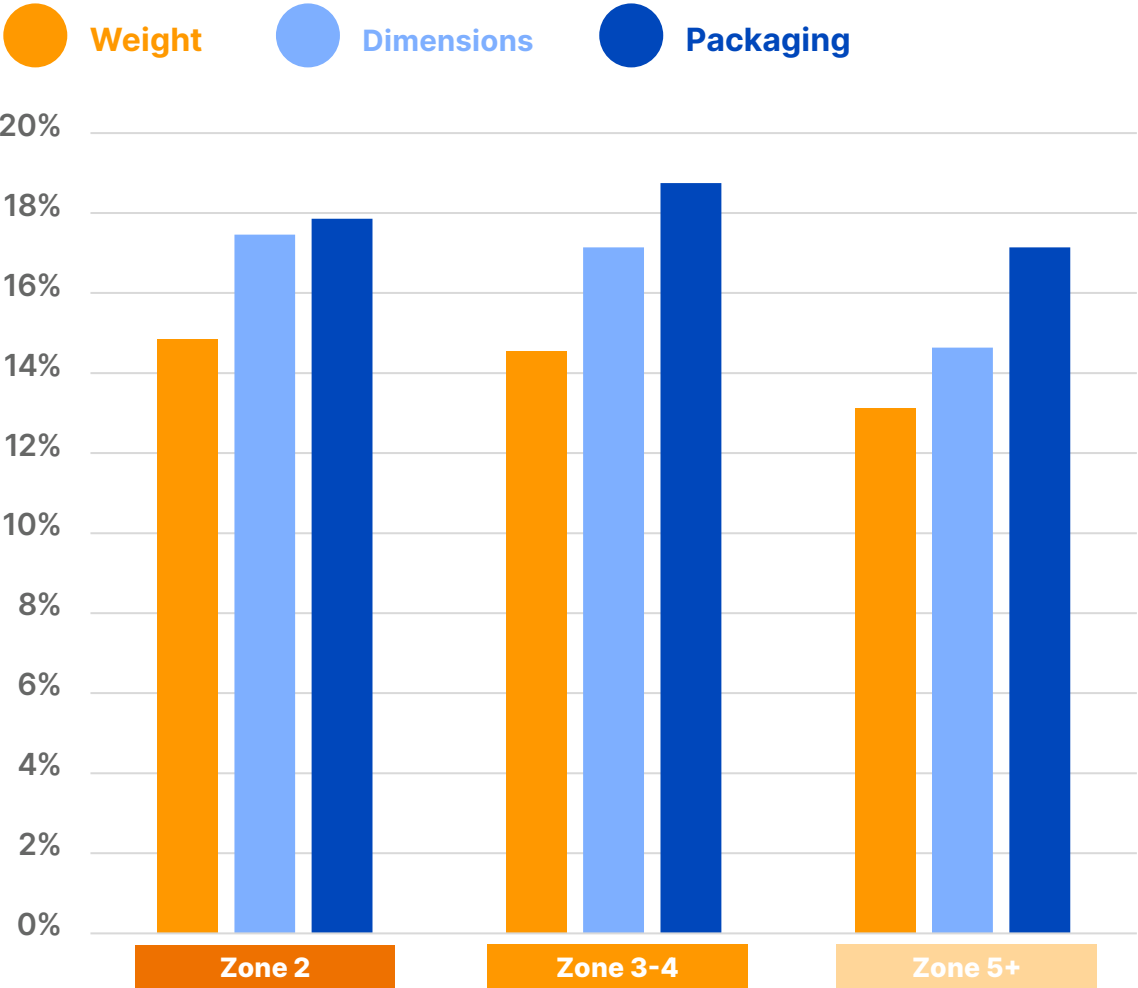


Additional Handling

The following illustration details the YoY percentage increase to Additional Handling surcharges by zone and type. AHS, along with other bulky-type surcharges, has been at the center of most tariff changes in recent years.

In 2023, shippers will experience 13% to 18% increases related to Additional Handling. This is a continuation of a trend, with the surcharge increasing by almost 200% since 2018. In 2018, the majority of Additional Handling charges were at \$12, and in 2023, the charges max out at \$34.50.

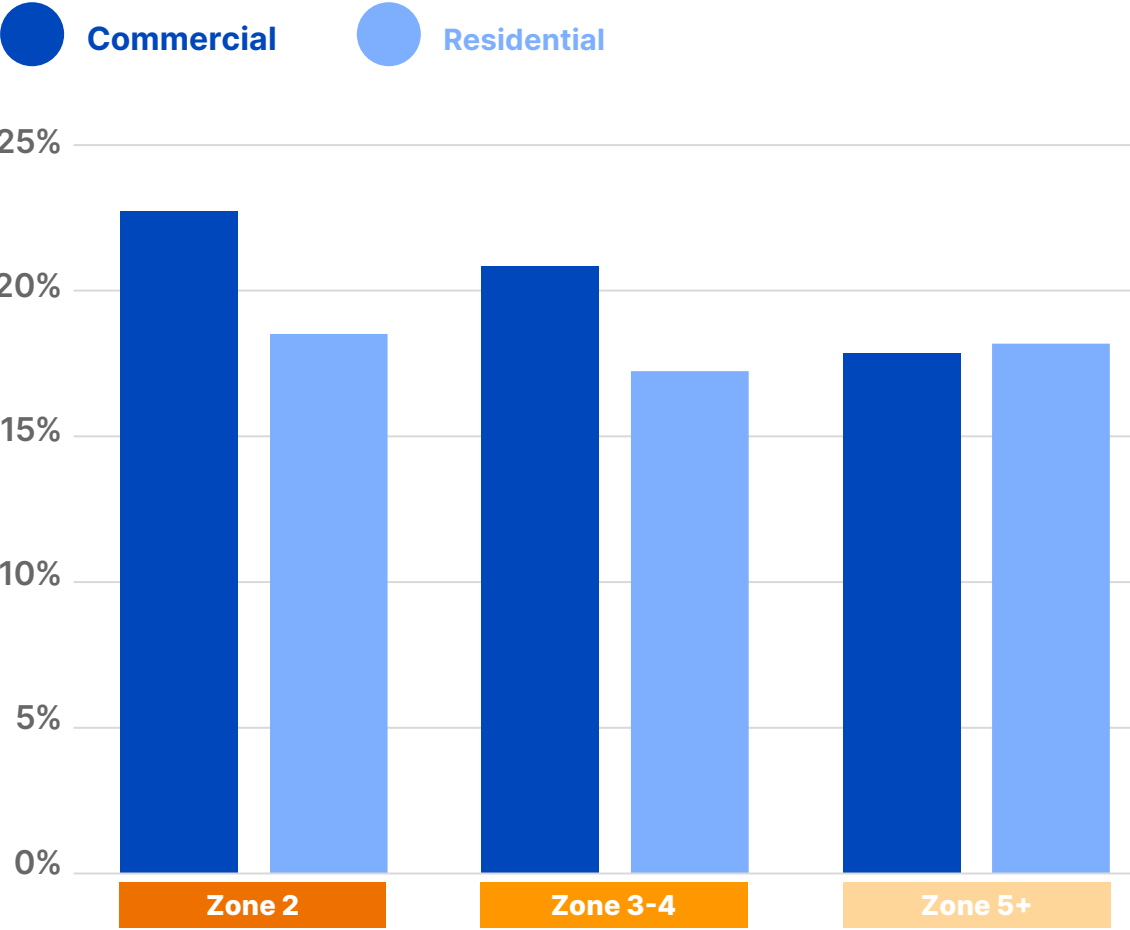
Increase for Additional Handling surcharges by zone and type



Large Package Surcharge

The following illustration details the YoY percentage increase to the Large Package Surcharge by zone and service type. Shorter, low-zone shipments are facing larger increases compared to longer-zone shipments, with some going up by **more than 20% (zones 2-4)**, but all charges will increase by **at least 17%**. Keep in mind, the LPS can go as high as \$200 in 2023. Notable is that the surcharge was capped at \$90 in 2018 and has increased by over 100% since.

Increase for Oversize charges by zone and service type



Other Accessorials

The following table details the percentage increase and cost of other common accessorional charges. Two noteworthy increases occur with the Daily Pickup and Missing PLD fees. Until now, the Daily Pickup charge has been based on volume levels, with shipper accounts spending less than \$75 per week paying more than shippers spending above that amount. Starting next year, all shippers will pay the same \$30 fee (which represents a 54% increase for those larger shippers). These charges are levied per account per week. Companies with multiple locations should ensure all accounts are active, so you are not paying the fee at locations not currently shipping. **The Missing PLD fee is increasing by a hefty 40% to \$3 per package.**

	4yr Avg Increase	2023 Inc Pct	2023 Gross
Address Correction	3.2%	8.3%	\$19.50
Adult Signature	5.6%	7.0%	\$7.65
C.O.D.	6.7%	2.9%	\$18.00
Daily Pickup < \$75	7.5%	-16.7%	\$30.00
Daily Pickup > \$75	9.7%	53.8%	\$30.00
Dangerous Good Accessible Air	8.8%	11.5%	\$145.00
Dangerous Good Inaccessible Air	7.3%	11.4%	\$68.50
Dangerous Good Inaccessible Ground	7.5%	9.1%	\$48.00

	4yr Avg Increase	2023 Inc Pct	2023 Gross
DAS Comm Air	6.6%	4.2%	\$3.70
DAS Comm Ground	7.0%	8.8%	\$3.70
DAS Ex Comm Air	11.7%	5.9%	\$4.50
DAS Ex Comm Ground	12.2%	9.8%	\$4.50
DAS Ex Resi Air	9.9%	10.0%	\$7.15
DAS Ex Resi Ground	9.9%	10.0%	\$7.15
DAS Resi Air	6.5%	6.7%	\$5.55
DAS Resi Ground	8.2%	10.4%	\$5.30
Delivery Confirmation Signature	5.6%	7.6%	\$6.35
Missing PLD	1.9%	39.5%	\$3.00
Over Max Length Air	12.6%	12.2%	\$1,150.00
Remote Area 48 Surcharge	0.0%	8.8%	\$13.05
Same Day Pickup	18.5%	8.3%	\$13.00

Honorable Mentions

There are other noteworthy items from the GRI and other recent announcements that shippers should be aware of.



The late payment fee is increasing from 6% to 8% in 2023.



“Peak” surcharges are changing and will not be levied solely during the holiday season. **The extra fees will now be referred to as “Demand” surcharges.**



No UPS SurePost increases have yet been announced for 2023.



UPS has created a separate International Ground Fuel Surcharge effective 10/31/2022. Previously, Standard (to and from Canada and Mexico) was simply included in the Domestic Ground fuel matrix, but it now has its own classification.



Even with all the recent media attention on UPS, the company has made no mention of a return of service guarantees in 2023. If anything, **UPS is giving the impression it has no intention of bringing the guarantees back anytime soon.**

Conclusion

While the 6.9% headline GRI is the same for UPS and FedEx, it's understandable if the UPS increase seems different. Here are our suggestions for what to do next.

(By the way, we contrast and compare the two carriers' 2023 GRIs in our next report – email info@transimpact.com to receive the industry's most complete 2023 GRI comparison analysis.)

Shippers can make some reasonable generalizations from the UPS 2023 GRI.

For example, fast services in higher zones and slower speeds will increase by more than the average. You can mitigate this specific change by making sure you're not paying for delivery speeds you do not need. At higher weights and zones, costs are increasing above the average as well.

Companies should, if nothing else, understand that they will be impacted by the GRI based on the ways they ship. Your combination of services utilized, average package weights and sizes, and most common lanes is unique, so using broad averages to understand the cost impact on your company is a mistake.

Pushing back against **Better and Bolder** starts with empowering yourself with something you already have — your shipping data. But remember, you can really only control your small parcel shipping cost through delivery optimization and carrier engagement.

Finding ways to optimize your delivery operations comes from looking at your shipping DNA. Your data contains value and savings, and it offers a fast and easy way to reduce the cost impact of the GRI on your shipping spend. But defining exactly what changes to make requires the right tools, such as TransImpact's **Parcel Spend Intelligence technology**. On average, our customers are saving 10% to 15% with our solution, which can offset the GRI and then some.

Then, armed with data, it's time to engage the carrier. Right now you have an advantageous opportunity, because UPS's negotiating leverage and pricing power with customers are waning thanks to the sluggish economy and declining demand. With the carrier facing uncertainty in both the global and domestic markets when it comes to capacity and pricing resiliency, the time is ripe for a new **small parcel contract negotiation**.



Contact TransImpact to receive a no-obligation report detailing how much your costs will go up starting December 27, 2022, under the 2023 UPS and FedEx GRIs (along with all the other fees and surcharges in place right now).



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