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LOGISTICS

New This Holiday Season: Discounts on Shipping Packages

UPS and FedEx loosen pricing as carriers anticipate a weak peak

By [Esther Fung](#) [Follow](#)

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UPS is seeking to recapture volume that it lost to rivals during this summer's labor negotiations. PHOTO: JOE RAEDLE/GETTY IMAGES

Parcel carriers are giving customers a break on prices ahead of what is set to be a weak holiday shipping season, the latest sign of a slowdown in demand for goods that is hitting every link in the global supply chain.

United Parcel Service and FedEx **FDX -0.49%** ▼, which in recent years have raised prices in lockstep as volume swelled, have been offering discounts and other forms of cost relief to their customers, according to some businesses that have met with sales representatives from the two carriers. The U.S. Postal Service said last month that it wouldn't impose a holiday surcharge this year.

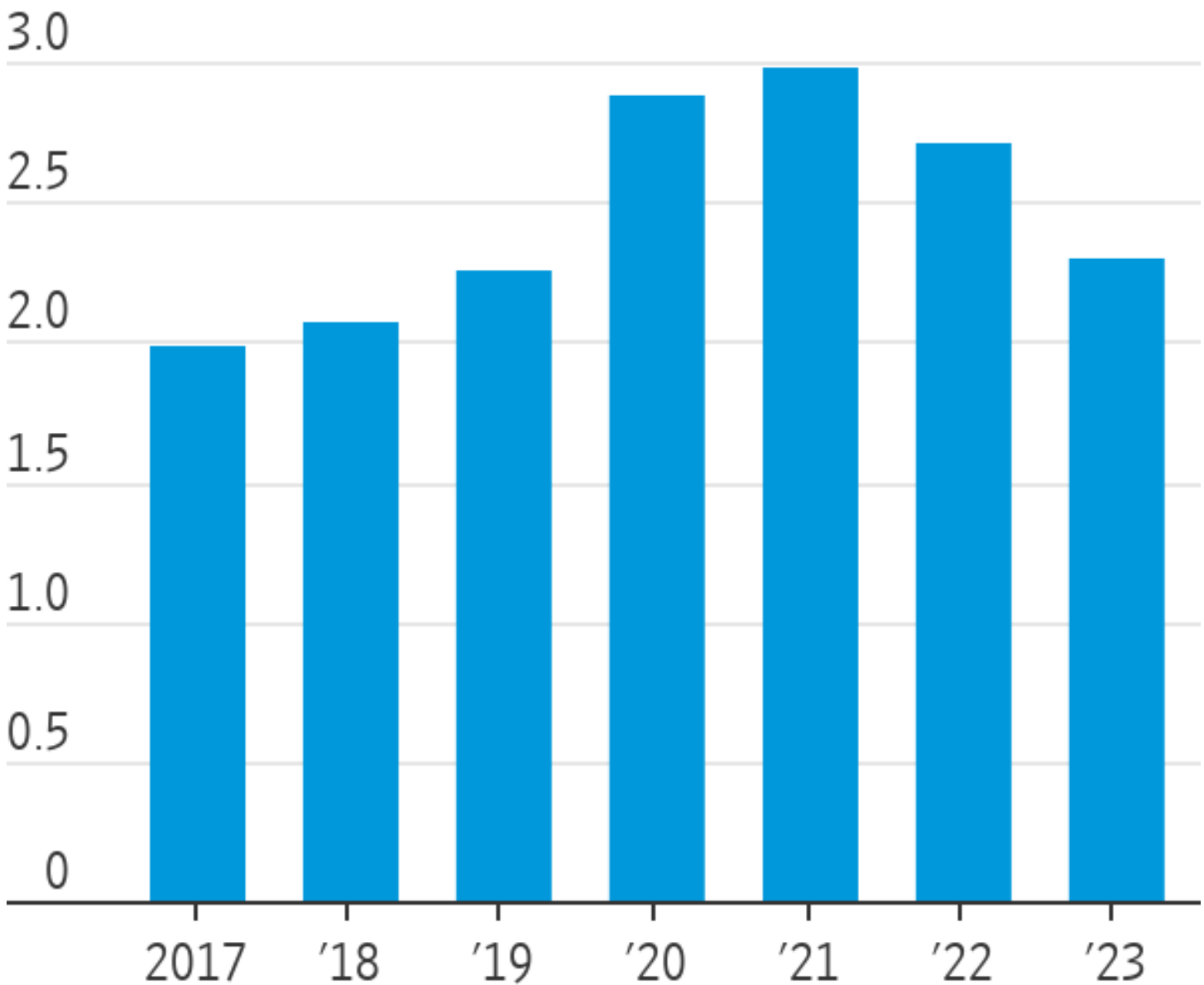
"It's not going to be a good peak. People are spending money on things that we don't transport," said Satish Jindel, president of ShipMatrix, which analyzes parcel-shipping data.

ShipMatrix estimates that carriers will deliver 82 million parcels a day during the peak holiday season that starts around Thanksgiving and ends in mid-January. Last year the industry delivered an average of 90 million parcels a day during that period.

Weak Peak

Total number of parcels from the day after Thanksgiving to Dec 31.

3.5 billion



Note: For 2023, the number is a projection.

Source: ShipMatrix

Signs of a lackluster peak season have been flashing across the supply chain. Makers and sellers of clothing, electronics and other consumer goods are seeing demand cool as shoppers cut back or shift spending to travel and services. The rates that containerships charge to transport freight across the Pacific Ocean or from Asia to Europe are plunging, as are rates to move goods by truck from U.S. ports to warehouses and stores.

Conditions are starkly different from a year ago, when UPS **UPS 0.58%** ▲ and FedEx had more pricing power and were giving priority to higher-margin parcels over volume. Since then, demand for overnight plane deliveries has dwindled as consumers pull back and ground delivery becomes faster. A shortage of truck drivers has subsided.

Meanwhile, the field has gotten more crowded. During the capacity constraints of the past few years, businesses became more open to using regional and other carriers including DHL and OnTrac. Amazon Shipping recently re-entered the fray. Some of those shipping companies have been wooing customers with cheaper rates and fewer surcharges.

That has left more shipping companies jostling for a shrinking number of jobs, allowing customers to compare deals and spread their business between carriers.

The food-products distributor Olio2go said it recently shifted some parcel volume to the Postal Service's ground-shipping option from UPS because of cheaper rates.

A comparison of six parcels going to different parts of the country showed savings between 10% and 40%, said Luanne O'Loughlin, manager at Olio2go, which shipped more than 10,000 parcels of olive oil and pasta in the past year. USPS now moves 35% of its parcels, up from 10% previously, said O'Loughlin.



FedEx says its pricing is competitive. PHOTO: BING GUAN/BLOOMBERG NEWS

The Postal Service opted not to impose a holiday surcharge this year, surprising many shippers. Last year it charged additional fees ranging from 25 cents to \$6.50 a parcel during the peak season.

Excluding oversized packages, FedEx and UPS said they are imposing demand surcharges ranging from \$1.35 to \$7.50 a package during the October to mid-January period. Peak or demand surcharges are imposed on packages for shippers after they exceed a certain threshold. Jindel from ShipMatrix said he expects 1.75 million packages a day during the peak season to be subject to peak surcharges, about half as many as last year.

Some businesses said recent meetings with sales representatives from UPS and FedEx showed that they are extending discounts and withdrawing penalties on early renegotiation requests. Carriers could provide more incentives to customers with parcels that are cheaper and easier to move through their networks.

“Our sales teams have the latitude to do what’s right for our business and for our customers,” said Glenn Zaccara, UPS spokesman. He said UPS isn’t using discounts to win back volume.

“We are pricing according to demand and capacity in the market,” said Zaccara. UPS has reported slowing growth in revenue per piece in each of the past four quarters. Executives have said they are still pursuing higher-margin businesses such as healthcare logistics.

UPS Chief Executive Carol Tomé has said the company aims to recapture the one million parcels a day that it lost to rivals during labor negotiations in the summer.

FedEx said it gained 400,000 parcels a day from UPS. “My job is to make it very difficult for our primary competitor to win back that share,” said Brie Carere, FedEx’s chief customer officer, during a recent earnings call.

A spokeswoman for FedEx said pricing depends on many factors, including a customer’s shipment profile. “We are disciplined in our pricing, which is competitive and reflects our strong value proposition of speed, reliability and reach,” she said.

Both FedEx and UPS said they are raising their general rates by 5.9% next year, compared with a record 6.9% increase this year.

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