

Letter & Parcel Delivery Services in Europe

Opportunity Assessment

Summary

Suppliers, also called carriers or couriers in this report, transport mail and small packages domestically and internationally. This report includes carriers that operate internationally, nationally, regionally, and locally. Key buyers are retail stores and e-commerce stores. Key suppliers are the carrier companies, including the US Postal Service (USPS). This report excludes general freight and logistics services for bulk items and heavy shipments (i.e., shipments weighing more than 150 pounds).

This Report Includes:

- Mail Transport
- Package Transport

Not In This Report:

- Logistics Services
- Consulting Services

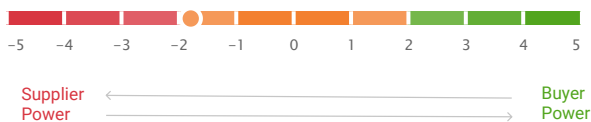
Classification:

- 52869375 - Domestic Air Cargo Transportation Services
- 52869376 - International Air Cargo Transportation Services
- 52869494 - Rail Cargo Transportation Services
- 52869591 - Deep Sea Cargo Transportation Services
- 31275381 - Sales & Marketing Software
- **52861034EU-Letter & Parcel Delivery Services in Europe (Current Report)**

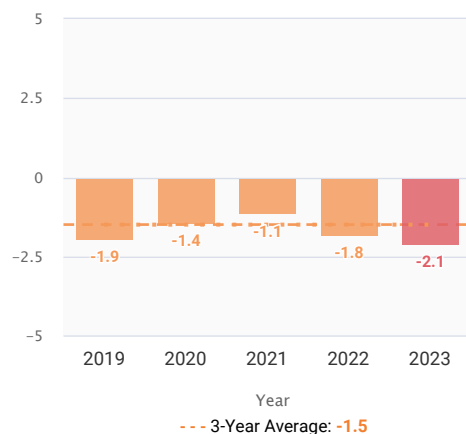
Buyer Power Score

-1.8 Buy Now

ProcurementIQ recommends **buying now**. Despite the current buyer power score being **below the average for 2019 to 2022**, it is expected to fall next year resulting in harsher negotiating conditions.



Letter & Parcel Delivery Services in Europe - Buyer Power Over Time



Source: ProcurementIQ

Market Dynamics

Price Trend 2019–2022*

1.2% ⚠️

*Compound Annual Growth Rate

Price Forecast 2022–2025*

1.5% ⚠️

*Compound Annual Growth Rate

Supply Chain Risk

Medium ⚠️

ESG Level

Medium ⚠️

2022 Market Pricing

€10.41

per delivery

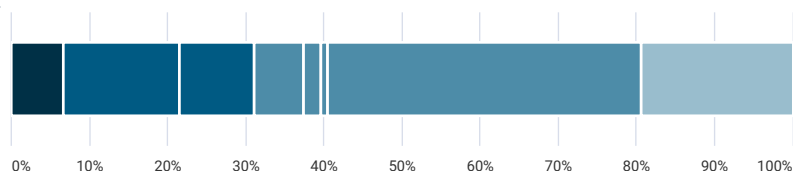
Key Drivers

World Price Of Crude Oil ↗️ ⚠️

Number Of Enterprises ↘️ 🟢

Total Private Consumption Expenditure Per Household ↗️ ⚠️

Cost Structure 2022



● Profit ● Purchases ● Overhead ● Wages

Top Vendors

- Deutsche Post AG
- Royal Mail plc
- FedEx Corporation
- Otto GmbH & Co KG
- Société Nationale SNCF SA

Legend:

✔ Positive Impact on Buyer Power ⊖ Neutral Impact on Buyer Power ⚠ Negative Impact on Buyer Power

ℹ Request Custom Information 🕒 Recent Development 📊 Buyer Power Lever

Recent Developments

Positive Trends ✔

There are currently no positive trends impacting the Letter & Parcel Delivery Services in Europe market. ProcurementIQ will update this section as current events dictate.

Neutral ⊖

There are currently no neutral trends impacting the Letter & Parcel Delivery Services in Europe market. ProcurementIQ will update this section as current events dictate.

Warning Trends ⚠

Threat of Russia invading Ukraine is fueling shockwaves in global oil markets

- With Russia being a leading producer of crude oil, the invasion by Russia into Ukraine has had immediate and significant impacts on global oil prices.
- Currently, no sanctions have been placed on Russian oil and gas providers though Germany has suspended the certification of the Nord Stream 2 pipeline which would have brought natural gas to a large portion of Europe.
- The uncertainty surrounding the situation has led to oil prices reaching significant high points, with Brent crude oil prices exceeding \$100 on February 24th.

Sections Impacted: [Price Environment - At a Glance](#) , [Supply Chain & Vendors - At a Glance](#)

Global shipping crisis is heavily impacting EU supply chains

- Freight rates have skyrocketed due to increased demand and constant blockage at major Chinese ports.
- Shipping rates from China to Spain have been recorded at ten times higher than before the pandemic.

Sections Impacted: [Price Environment - At a Glance](#)

ProcurementIQ's analysts constantly monitor the impacts of current events to give you the most up-to-date insights. Due to the timely nature of the Recent Developments section, information included in this section may differ from the rest of the report.

Buyer Power Levers

No Buyer Threat ✔

Product Specialization: Low

Customized solutions are rarely used in this market thus most suppliers are able to meet client's needs.

Switching Costs: Low

There are few costs when switching vendors in this market.

To Investigate ⊖

Availability of Substitutes: Medium

Buyers in this market have access to some substitutes but may not find a suitable substitute for their particular needs.

Market Share Concentration: Medium

The top 4 vendors in this market control between 30% and 45% of the market share.

Supply Chain Risk: Medium

There is some risk of price swings, shortages and delays due to supply chain disruptions.

Threat to Buyer ⚠

Price Driver Volatility: High

Key price drivers have fluctuated significantly in recent years.

SWOT

S	Strengths	<p>The market offers ample opportunities for sourcing from women-, veteran- and minority-owned businesses, which makes it easier for buyers to meet their diversity metrics and values.</p> <p>Product specialization is low in this market, which indicates that most vendors are qualified and able to render products or services.</p> <p>The pace of regulatory change has been slow in this market indicating a minimal threat of drastic changes due to new regulations.</p>
W	Weaknesses	<p>The Letter & Parcel Delivery Services in Europe market has a moderate level of vendor financial risk, indicating that the average vendor in this market faces a moderate threat of bankruptcy which could cause disruptions for buyers.</p> <p>Buyers experience some unexpected or hidden costs in this market. Moderate total cost of ownership increases the difficulty of budgeting for these costs beforehand.</p>
O	Opportunities	<p>This market's short lead times means that buyers can quickly order, receive and integrate mark solutions to fill inventories or reduce downtimes.</p> <p>The average profit margin in this market is moderate, which means that vendors may be willing to negotiate down their prices.</p> <p>Suppliers in this market have moderate commitments to ESG initiatives. As such, buyers are advised to seek out vendors that can satisfy internal ESG procurement goals or metrics.</p>
T	Threats	<p>Prices are forecast to increase quickly during the next three years, which means buyers may incur higher costs if they delay their purchases.</p> <p>Prices have been rising quickly during the past three years, which has forced buyers to act more urgently to avoid rising prices.</p> <p>Prices for Letter & Parcel Delivery Services in Europe have fluctuated sizably. Instability in market prices has been making it more difficult for buyers to anticipate prices and plan accordingly.</p>

Buyer Power Score

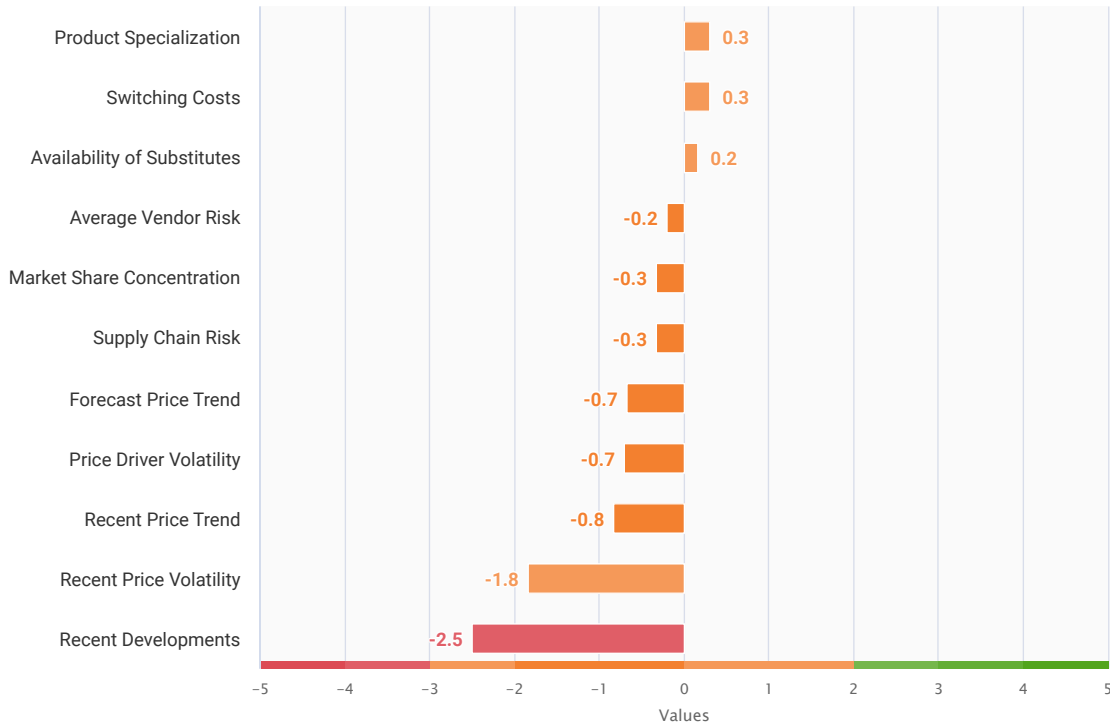
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Buyer Power Score Components

Recent updates, quantitative and qualitative criteria are assigned numeric values that correlate either directly or indirectly with their level (very low, low, medium, high or very high). A score of 5 indicates that a factor works in favor of buyer power, whereas a score of -5 indicates that a factor works in favor of supplier power. A score range of 0 has a neutral impact on buyer power.

Buyer Power Score Components



Current Buyer Power Score:

-1.8

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Price Environment

Key Takeaways

- ⚠️ Moderate market share concentration limits competition among suppliers, thus curbing buyer power. The four largest carriers in the market control the majority of shipping capacity and, therefore, wield considerable influence over prices.
- ⚠️ Demand and prices for delivery services has been increasing in the past three years
- ⚠️ In response to rising overall demand, vendors have raised delivery prices. Unfortunately for buyers, service rates are expected to continue to rise in the next three years, driven by accelerating demand during the economy's return to growth.
- ✅ Buyers benefit somewhat from the low cost of changing suppliers. Switching costs are low because there is little specialization in the market. Overall, services vary minimally across suppliers in terms of quality and offerings, but their geographical scope can vary to a wider degree. As a result, there is little difference when buyers purchase services from an alternate supplier. Low switching costs give buyers leverage to seek better levels of service or lower prices from either their current provider or a new vendor.
- ✅ Fewer letters are being sent due to increased digital signature usage. As a result, mitigated demand and price growth are expected to occur.

Legend:

- ✅ Positive Impact on Buyer Power
- ⊖ Neutral Impact on Buyer Power
- ⚠️ Negative Impact on Buyer Power

At a Glance

Price Trend 2019–2022*

1.2% ⚠️

*Compound Annual Growth Rate

Price Forecast 2022–2025*

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*Compound Annual Growth Rate

Key Drivers

World Price Of Crude Oil ↗️ ⚠️

Number Of Enterprises ↘️ ✅

Total Private Consumption Expenditure Per Household ↗️ ⚠️

Historical Trend

2022 Market Pricing

€10.41

per delivery

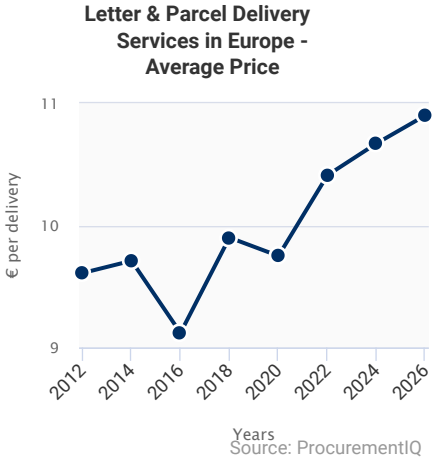
- Recent Price Volatility
High ⚠️

- Level of Specialization
Low ✅

- Availability of Substitutes
Medium ⚖️

- Price Driver Volatility
High ⚠️

- Switching Costs
Low ✅



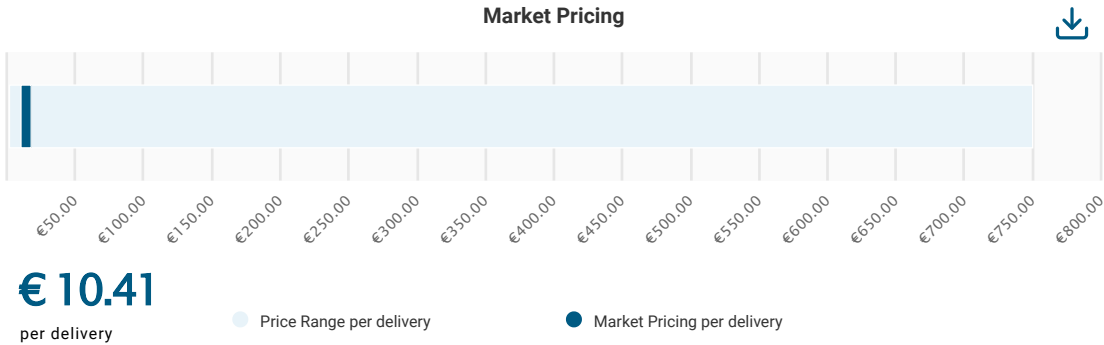
Line Item	Proportion of Revenue (%)
Profit	6.6
Wages	19.3
Purchases	24.5
Fuel	15.0
Other	9.5
Overhead	49.6
Rent & Utilities	6.3
Depreciation	2.2
Marketing	0.9
Other	40.2
Total	100

Threat of Russia invading Ukraine is fueling shockwaves in global oil markets

- The Russian invasion of Ukraine is threatening global oil supplies as the potential of strict sanctions lay on the table that would throttle exports from Russia. Tightening supplies and uncertainty have been driving strong price growth for petroleum products, such as gasoline.

Global shipping crisis is heavily impacting EU supply chains

- Rising shipping rates will dramatically impact the prices for parcel delivery services until the shipping crisis is resolved and supply and demand stabilize.

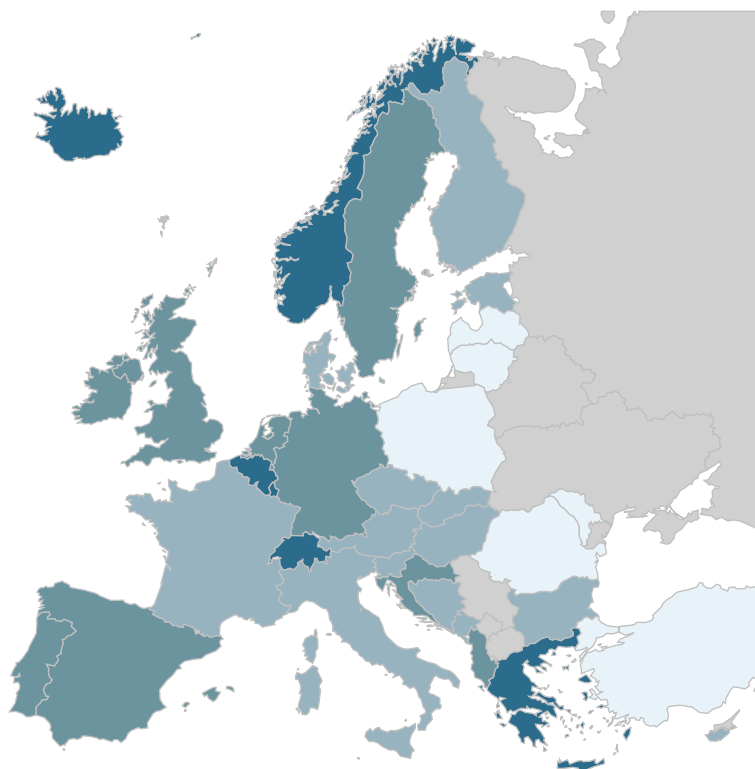


Source: ProcurementIQ



Market Price

- No Available Data
- €4.86 - €8.13
- €8.14 - €11.41
- €11.42 - €14.69
- €14.70 - €17.99



Reset zoom

+ Source:
- Eurostat & ProcurementIQ

Market Pricing Factors

Category	Lower Price ✔	Higher Price ⚠
Distance	Short distance	Far distance
Package weight and dimensions	Low weight and dimensions	High weight and dimensions
Delivery speed	Slow delivery	Fast delivery
Handling requirements	Low handling requirements	High handling requirements

Pricing Model

Pricing Model	Pros ✔	Cons ⚠
Fixed Price <i>The fixed price model is based on a set price for a defined scope of work, regardless of the time frame and the amount of time spent.</i>	Buyers pay a fixed price based on shipping zones, priority level, parcel characteristics, and handling requirements, regardless of how much it actually costs to deliver the letter or parcel. The fixed price provides the buyer with clear and transparent pricing.	The fixed pricing model eliminates the ability to negotiate on pricing.
Unit Pricing <i>The unit-based model allows the supplier to charge a set amount for each unit, segment or phase of work.</i>	With per-mile pricing, buyers pay a fixed rate based on the distance the delivery must travel. The per-mile pricing benefits buyers by allowing them to pay for the exact amount of delivery service they use.	Per-mile pricing can be costly for buyers that are sending letters and parcels far distances.

Total Cost of Ownership

The Total Cost of Ownership is **Medium** ⊖

Negotiated Before ✓

Customization

The customization of the number, type, weight and dimensions of letter and parcel delivery are negotiated before the contract.

Billed During ⊖

Upgrades

Suppliers may offer upgrades to the service during the duration of the contract that provide additional letter and parcel delivery services such as package insurance and signature requirements.

Unforeseen ⚠

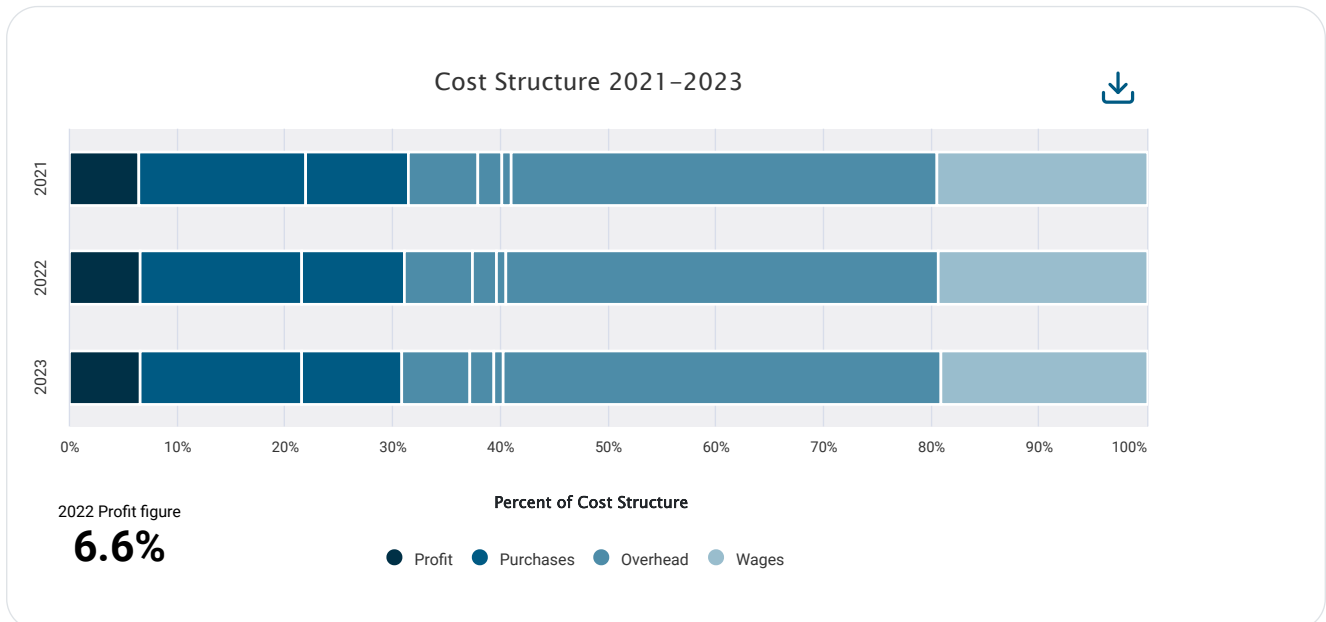
Cancellations

Depending on the contract, buyers may face cancellation fees if the contract is terminated early.

Cost Structure Benchmarks

The average profit margin in the market is **Moderate** ⊖ and **Stable**

This level indicates that buyers may have some ability to negotiate discounts.






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Cost Structure Analysis

Input Cost Drivers

Line Item	Price Driver	2019-2022 Average Annual Growth Rate	2022-2025 Average Annual Growth Forecast	Volatility
Purchases	World Price Of Crude Oil	1.6% 	-3.2% 	High 
		During the past three years, the world price of crude oil has been rising due to returning oil demand as concerns about the coronavirus pandemic began to fade. As a result, the price of fuel used to deliver letters and parcels has been trending similarly, contributing upward pressure to carriers' purchase costs and market prices.	In the next three years, the world price of crude oil is expected to decline on the back of stabilizing economic activity and the eventual recalibration of industrial markets. Reductions in the price of crude oil will reduce costs for suppliers and slow the rate of price growth.	


External Demand

External Demand Drivers

Price Driver	2019-2022 Average Annual Growth Rate	2022-2025 Average Annual Growth Forecast	Volatility
Number Of Enterprises	-3.3% 	3.2% 	High 
	Many businesses depend on couriers and parcel delivery services, rather than larger specialized freight carriers, to conduct their daily operations. Consequently, as the number of businesses decreases, the potential customer base for market services contracts and pushes demand downward. In the past three years, the number of businesses has been declining due to the coronavirus pandemic, which has forced many businesses to cease their operations and prevented prices from growing at a faster rate.	In the next three years, the number of businesses is forecast to grow as businesses reopen in response to economic recovery from the coronavirus pandemic. As the pool of buyers is anticipated to grow, demand and pricing are forecast to rise.	
Total Private Consumption Expenditure Per Household	1.5% 	2.8% 	High 
	Total private consumption expenditure per household has been increasing throughout the majority of the past three years. Although millions of citizens have lost their jobs due to the coronavirus pandemic, expanded unemployment benefits have prevented per capita disposable income from falling too steeply. Increases in total household expenditure in the past three years has pressured market demand and prices higher.	In the next three years, total private consumption expenditure per household is forecast to increase further due to growth in wages amidst the economy's recovery from the coronavirus pandemic and current economic recession. As total private consumption expenditure per household continues to rise, it will pressure market demand and prices upwards.	

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Product Specialization

The level of specialization is **Low** 

- Specialization in the letter and parcel delivery services market is low because these services are largely standardized among suppliers.
- Low specialization makes it easier for buyers to compare the services offered by multiple vendors, thus boosting their negotiating leverage.
- Although schedules and locations vary between different market suppliers, the basic services provided consist of the delivery of a letter or package. Consequently, there is little differentiation in services from one provider to the next.





Substitute Goods

The availability of substitutes is **Medium** 

- General freight companies handle a variety of goods, which are palletized and loaded into a container or van trailer for road transport. Freight trucking services are best suited for relatively high-volume shipments or shipments of goods that are bulky or heavy. Moreover, this service is typically not a viable substitute for letter delivery.
- Online services are direct substitutes for many paper documents, which are otherwise delivered in letter form. However, this substitute does not work for all communications, nor is it a replacement for parcel delivery.
- The availability of substitutes in this market has only a limited positive impact on buyer power. While some buyers may be able to leverage these alternative services during negotiations, this option is not available to all buyers.

Supply Chain & Vendors

Key Takeaways

-  Market providers face the highest risk from gasoline and diesel wholesalers, which have exposure to the volatile prices of the fuel they sell.
-  As demand for fuel fluctuates during the pandemic, gasoline and diesel wholesalers continue to be subject to higher financial risk. However, many market providers try to reduce this risk by signing long-term agreements with fuel suppliers to shield themselves from constant price fluctuations.
-  Although the supply chain risk posed by gasoline and diesel wholesalers is high, other upstream suppliers present less risk. For instance, long-distance freight truckers and local freight truckers are only moderately risky.
-  Although there is currently not a significant risk of service disruptions occurring due to issues with these upstream suppliers, buyers may feel the effects of upstream risk if the prices of key inputs increase, thereby prompting these suppliers to adjust prices accordingly.

Legend:

 Positive Impact on Buyer Power  Neutral Impact on Buyer Power  Negative Impact on Buyer Power

At a Glance

Market Share Concentration Level

Medium 

Vendor Risk Level

Medium 

Supply Chain Risk

Medium 

ESG

Medium 

Top Vendors

Deutsche Post AG
Royal Mail plc
FedEx Corporation
Otto GmbH & Co KG
Société Nationale SNCF SA

Threat of Russia invading Ukraine is fueling shockwaves in global oil markets

- The invasion of Ukraine by Russia may lead to strict sanctions that restrict the global crude oil supply considerably.
- Shrinking oil supplies will lead to shifts in supply chains as refiners struggle to obtain oil needed for refining, leading to higher prices down the supply chain or potential fuel shortages in the future.

Top Suppliers



Supplier	Operational Size	Headquarters	Number of Employees	Market Share (%)	Market Share Performance (3-yr trend)	Total Revenue (€ million)	Profit Level (%)	Risk Level
Deutsche Post AG	N/A	EU		5-10	Increasing		NA	NA

Royal Mail plc	Global	London, GB	>10,001	5-10	Steady	15,219.1	4.7	High
FedEx Corporation	International	MEMPHIS, TN	>10,000	< 5	Increasing	76,385.9	9.3	Low
Otto GmbH & Co KG	Global	Hamburg, DE	>10,000	< 5	Steady	<100	NA	NA
Société Nationale SNCF SA	Global	Saint-Denis, FR	>10,000	< 5		<100	NA	NA
Swiss Post	National	Bern, CH	>10,000	< 5	Steady	<100	NA	NA
United Parcel Service Inc.	International	ATLANTA, GA	>10,000	< 5	Steady	88,511.7	13.2	Low
Whistl Ltd.	Global	Marlow, GB	1,001-10,000	< 5	Increasing	<100	NA	NA

Average Vendor Risk

The risk level is **Medium** ☹️

Positive Impact 🟢

Social Trends

There is little risk of social trends disrupting suppliers' operations.

Contract Length

Suppliers that regularly enter contracts with longer durations demonstrate an ability to meet buyers' potentially evolving needs over time.

Neutral 🟡

Governance Trends

Governance trends could impact suppliers' operations.

Negative Impact 🟠

High Competition

Suppliers face substantial competition from their peers within the market, making it more difficult to retain market share and remain in operation.

Environmental Trends

There is substantial risk of environmental trends disrupting suppliers' operations.

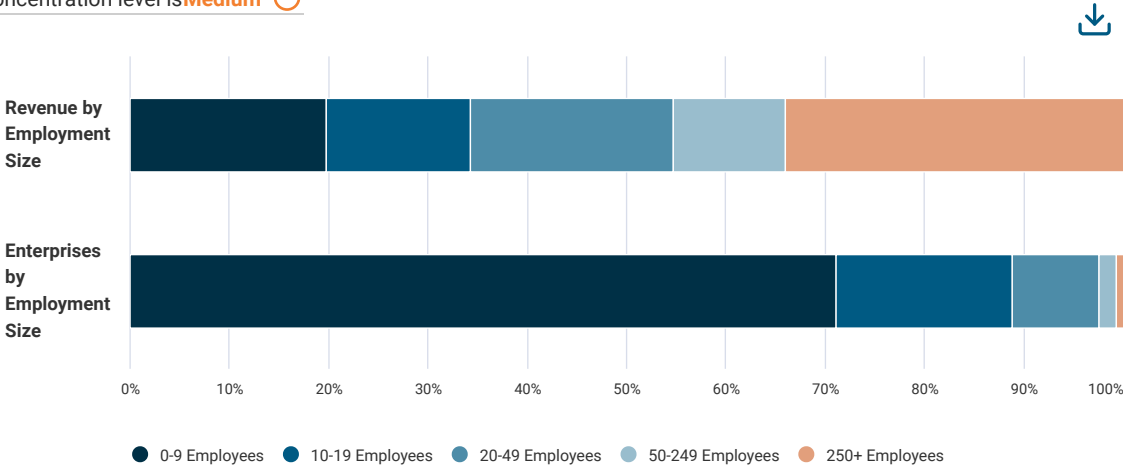
Related Goods

Related Markets For Major Players

Company	Pickup services	Tracking (tracing) services
Deutsche Post AG		✓
FedEx Corporation	✓	

Market Share Concentration

The concentration level is **Medium** ☹️



Source: European Commission Eurostat

Supply Chain Dynamics

Upstream Supply Chain Analysis

The supply chain risk level is **Medium**

1st Tier Supplier	2nd Tier Supplier	Barriers to Entry	Competition	Import Penetration	Regulation	Industry Volatility	Industry Financial Risk	Overall Level
Freight Road Transport in Europe	▲							Medium
Petroleum Refining in Europe								High
Packaging Services in Europe	▲							Medium
Paper & Paperboard Manufacturing in Europe								High

Legend:

Positive Impact on Buyer Power Neutral Impact on Buyer Power Negative Impact on Buyer Power





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ESG Trends

The ESG level is **Medium**

ESG Factor	Current Level	Opportunity Level	Description
Environmental	Medium	High	<p>Energy Efficiency: The letter and parcel delivery services market is energy intensive. The primary modes of delivery for letters and packages include delivery by truck, ship, train, and plane. Investment in vehicle electrification, sustainable energy, and carbon sequestration limits energy use. Moreover, to reduce the cost of fuel use and associated greenhouse gas emissions, operators are replacing older airplanes with more fuel-efficient models. Larger operators have increasingly invested in alternative fuel fleets, which include hybrid, electric, liquified or compressed natural gas, liquified petroleum, and hydrogen fuel cell vehicles. Furthermore, the implementation of last-mile delivery solutions, such as bot and pilot drone delivery services have the potential to serve as an environmentally friendly alternative to last-mile delivery by vehicle.</p> <p>Waste Management: Packaging waste is the primary source of waste in the letter and parcel delivery services market. Operators improve waste management by optimizing packaging through reusable options, responsibly sourcing packaging materials, and operating recycling programs. In recent years, waste management has emerged as an important issue for market operators as they seek to lower their carbon footprints and meet carbon neutrality goals.</p> <p>Water Efficiency: Water usage in the letter and parcel delivery services market is fairly low. The main use of water occurs in office spaces. Operators design facilities to keep water use to a minimum.</p>

Social	Medium 	Medium 	<p>Fair Labor Standards: Due to both high union membership in much of Europe and the European Union's extensive labor laws, workers in this industry generally benefit from ample protection from exploitation. EU labor law limits the number of hours employees can be expected to work to 48 hours a week and sets minimum standards for working conditions. Letter and parcel delivery service workers often drive for several hours at a stretch. They load and unload cargo, make deliveries, and frequently work 40 hours a week, which may include nights and weekends.</p> <p>Leave Benefits: European Union regulation guarantees expansive leave benefits for all full-time workers in EU member states. Workers in the European Union are entitled to a minimum of 20 days of paid vacation. Additionally, under European Union law, both parents are entitled to 4 months of parental leave at the birth or adoption of their child.</p> <p>Pay Equality: Female workers in the businesses economy sector earned €0.84 per €1.00 earned by their male colleagues in 2019. This wage gap has been largely stagnant in recent years.</p>
Governance	Medium 	Medium 	<p>Anti-Corruption Mechanisms: Operators in the letter and parcel delivery services market are subject to numerous regulations, including the Postal Services Directive and the UK Bribery Act.</p> <p>Lack of Controversy: In recent years, the market has undergone a moderate amount of controversy. Increased package volumes coupled with demand for faster delivery have resulted in increased stress and demand on market workers.</p> <p>Lobbying Presence: The letter and parcel delivery services market maintains a sizeable lobbying presence. Large operators such as FedEx Corporation, Royal Mail Group, and United Parcel Service lobby regarding issues such as environmental regulations, VAT and customs, and data protection.</p>

Are Your Sourcing Initiatives Impacted?

We're happy to apply these factors in other commonly used frameworks, such as SWOT or Porter's Five Forces. We can look into other factors, too! Just submit an easy request form here. [Request Custom Research](#)

Regulation

The pace of regulatory change is **Slow** 

2008

Although regulatory change occurs at a slow rate in this market, the level of regulation is high. Royal Mail, which is the largest market provider, is highly regulated because it is a quasi-governmental agency operating under a universal service obligation. The Postal Services Directive was passed to liberalize the market, encourage new entrants and increase competition in the EU

Business Requirements

At a Glance

Negotiation Questions

- Workforce
- Customer Service
- Timeliness
- Surcharges
- Supply Chain Risk
- Experience and Expertise

Vendor Qualifications

- Customer Service
 - Geographic Coverage
 - Price
 - Timeliness
-
- ### KPIs
- Employee Training Rate
 - Net Promoter Score (NPS)
 - On-Time Delivery (OTD)
 - Schedule Variance (SV)

SLAs

- Response time
- Contact Hours
- Resolution Time

Lead Time Level

Short

Vendor Relationship

The relationship between buyers and suppliers is **transactional**, which is common in markets with **low value** and **low risk**. Due to the transactional nature of the relationship, both buyers and suppliers are incentivized to ensure an efficient, low-cost procurement process.

Planning Process

Buying Lead Time

Stage	Small buyer (weeks)	Large buyer (weeks)
RFP	1 – 2	4 – 6
Interviews	1 – 2	3 – 6
Negotiations	2 – 3	4 – 8
Total	4 – 7	11 – 20

- Going into the RFP with a clear picture of why new services are being requested and what decision-makers expect can cut down on time.
- Time savings may be achieved by scheduling virtual walkthroughs with vendors or limiting walkthroughs to only the most-qualified providers.

Vendor Relationship

› See how your vendor compares in [SupplierIQ](#)

The relationship between buyers and suppliers is **transactional**, which is common in markets with **low value** and **low risk**. Due to the transactional nature of the relationship, both buyers and suppliers are incentivized to ensure an efficient, low-cost procurement process.

Value	Risk	Contracting Strategies
<p>Low switching costs Buyers will face few costs and disadvantages when switching suppliers.</p>	<p>Moderate supply chain risk Suppliers are somewhat likely to experience supply chain disruptions that would impede operations or impact the price buyers pay.</p>	<p>Many Related Goods & Services In addition to discounted rates, bundling related goods can improve convenience by reducing the need to source from multiple vendors. If a supplier has proven that they provide excellent local trucking services, it is probable that their related services are of high quality as well.</p> <p>Low Switching Costs If an incumbent supplier refuses to meet pricing or service requirements, buyers can</p>

simply switch to another vendor. The main risk associated with switching carriers is a brief interruption in service.

Low Service Specialization

Buyers can take advantage of low service specialization, as buyers can be reasonably sure that they can find a suitable vendor should they become dissatisfied with the level of service and provided.

Vendor Qualification

Factor	Level of Importance (1-5)	Reasoning	Measurement
Customer Service	● ● ● ◐ ◐	Buyers should be able to easily communicate with a delivery person to discuss any changes to scheduled plans and to check the status of shipments that are en route.	Average response to query time Average query to resolution time
Geographic Coverage	● ● ● ● ◐	A supplier's geographic coverage must align with a buyer's shipping needs. Preferred suppliers cover all local routes that a buyer ships over, enabling the buyer to use a single source for letter and parcel delivery services.	Number of cities served Total square miles of areas covered Maximum shipment distance from origin to final destination
Price	● ● ● ◐ ◐	Price is a significant consideration in the purchasing decision because suppliers' services are largely undifferentiated. In evaluating price, buyers should note suppliers that derive a larger portion of the total price from the fuel surcharge.	Demurrage fees Price per mile
Timeliness	● ● ● ● ●	Suppliers compete heavily on their ability to provide on-time deliveries. Late deliveries increase buyers' costs and can cause delays downstream in the supply chain. Suppliers that offer time-guaranteed deliveries are preferred, and many buyers require suppliers that can rush their shipments.	Number of delays Number of on-time deliveries

Sourcing Process

Key RFP Elements

Key RFP Elements	Description
Organizational Overview	Buyers should briefly describe their organizations and include information such as their size and geographic location. Buyers should include a description of their primary business operations and briefly explain why they require letter and parcel delivery services.
Statement Of Need	Buyers should describe the services they require, including detailed specifications and desired rates. Buyers should include details about their regular delivery needs, such as the volume of letters or the size, weight, quantity and frequency of package shipments. Buyers should indicate whether their items will require any special handling procedures. Buyers should mention if they wish to procure any related add-on services in addition to market services.

Project Budget	<p>Buyers should disclose the full value of the contract, if available.</p> <p>Buyers should indicate their expectations for prices based on the information in the Benchmark Price section of this report.</p>
Selection Criteria	<p>Buyers should evaluate providers on the timeliness of their deliveries.</p> <p>Buyers should consider the transportation infrastructure offered by different providers.</p>
Project Schedule	<p>Buyers should indicate when vendor proposals are due.</p> <p>Buyers should include the date when services must begin.</p>
Proposal Format	<p>Vendors should describe their internal quality metrics and how they have changed over time as well as any specific plans for improvement.</p> <p>Vendors should provide information about their delivery transport infrastructure as it relates to buyers' needs.</p> <p>Vendors should give details about prices for regular and express delivery based on weight class and other specifications.</p> <p>Vendors should indicate whether they rely on any third-party supplier infrastructure for carrying out their services.</p>

Negotiation Questions

Issue	Questions
<p>Workforce: Suppliers with stringent hiring practices and a low staff turnover rate provide superior service.</p>	<p>How many years of experience will the staff members that transport my goods possess?</p> <p>What regular evaluations or screenings do your employees receive once hired?</p> <p>What training programs do your employees complete and what certifications do they earn?</p> <p>What has your turnover rate been in the past 12 and 24 months? How does your firm mitigate the risks of employee turnover?</p>
<p>Customer Service: Excellent customer service and communication with buyers can allow for special requests, expedited service and last-minute changes, all of which are common needs when procuring local freight trucking.</p>	<p>What is the average wait time to talk to a customer service representative?</p> <p>How many customer service representatives are on call during business hours to help resolve potential issues as they arise? How many are available outside of business hours?</p> <p>What are your standard customer service procedures in the event of a delayed, lost or damaged item?</p> <p>What are delivery personnel's procedures on customer premises?</p>
<p>Timeliness: Buyers depend on trucks to arrive on schedule at their designated pickup and drop-off locations to minimize costly delays.</p>	<p>What is your on-time delivery rate?</p> <p>What percentage of your late trucks are more than one hour late?</p> <p>How will I be notified if my cargo will be available at its destination later than planned?</p> <p>How have your fleets and procedures evolved to improve delivery times?</p>
<p>Surcharges: Buyers should ensure that surcharges are transparent and cover fuel costs rather than add to carriers' profit margins.</p>	<p>How often do you revise fuel surcharges?</p> <p>How do your surcharge rates compare to those of your competitors? What triggers fuel surcharge increases? How often does this occur?</p> <p>Does your fuel surcharge decrease immediately when the US Department of Energy's diesel index drops?</p> <p>How has the rise in diesel prices affected your cost structure? Have you passed these costs on to buyers?</p> <p>How diversified is your supplier base for fuel-related inputs? Do you source from multiple suppliers in different global regions?</p>

Supply Chain Risk: Suppliers should be prepared for the coronavirus' effect on the economy, workforce and supply chain in order to avoid a discontinuity of service.

are you coping with these disruptions?

How diversified is your supplier base for inputs? Do you source from multiple suppliers in different global regions?

Amidst widespread health concerns, what contingency plans are in place to mitigate risk to your clients and employees? Do you offer clients any flexible exceptions, such as contract suspensions?

Are you experiencing fluctuations in demand as a result of the coronavirus outbreak? What measures are you taking to handle increased/reduced demand?

Experience and Expertise: A supplier's past work and the level of satisfaction among former customers are key indicators of the service quality buyers can expect.

Do you source materials with a high exposure to market disruptions resulting from the coronavirus? How are you coping with these disruptions?

How diversified is your supplier base for inputs? Do you source from multiple suppliers in different global regions?

Amid the widespread health concerns, what contingency plans are in place to mitigate the risk to your clients and employees? Do you offer clients any flexible exceptions, such as contract suspensions?

Are you experiencing fluctuations in demand as a result of the coronavirus outbreak? What measures are you taking to handle increased or reduced demand?

Vendor Management

Key Contract Clauses

Key Contract Clauses	Description
Force Majeure	In the event of unforeseeable circumstances that are beyond each party's control, failure to meet contract conditions on either side will not be a breach of contract. Force majeure protects both the client and vendor from legal recourse when services are not rendered or paid for.
Cancellation	Cancellation policies should be clearly laid out so the buyer does not face any surprise costs upon contract termination. Cancellation fees are determined during the negotiation process.
Severability	Any and all changes must be accompanied by supporting documentation and approved by both parties prior to implementation. Severability clauses can ensure that the project does not go over budget.

Key Performance Indicators (KPIs)

KPI	Level of Importance (1-5)	Measurement	Key Considerations
Employee Training Rate	● ● ● ○ ○	Number of employees that undergo evaluation Number of employees that pass evaluation	The employee training rate represents the share of employees a company is able to successfully train. Buyers shipping high-value goods should place greater importance on this metric, as they will have a greater need for training and proper handling of these goods to minimize damages and losses.
Net Promoter Score (NPS)	● ● ● ● ○	Number of promoters Number of detractors Number of passives	The NPS determines how likely a customer is to recommend a vendor to another customer. Customers are classified as promoters, passives, and detractors through surveys that ask them to rate how likely they would be to recommend the vendor to another customer on a scale of 1-10. The NPS allows buyers to directly compare a numerical value between vendors to determine which vendors are looked on more favorably by their customer base.

On-Time Delivery (OTD)		Number of deliveries	The on-time delivery rate represents the percentage of orders that are delivered on time.
		Number of on-time deliveries	The number of on-time deliveries should take on the highest importance for buyers, but even more so for buyers with time-sensitive goods.
Schedule Variance (SV)		Planned loading and unloading times	Schedule variance represents the time differential between the planned and actual number of loading and unloading hours from the truck.
		Actual planned and unplanned loading times	Buyers incur greater costs for demurrage fees, which occur when loading and unloading times take longer than anticipated.

Service Level Agreements (SLAs)

- Service Level Agreements are designed to measure and track the level of service provided by the vendor. They are based on an agreed upon metric and usually have thresholds or target levels.
- If a vendor is failing agreed upon service levels, this can result in fee reductions or even contract termination.
- Vendors that provide service above target levels may receive preference when new opportunities arise.
- SLAs should be within the control of the supplier and should be easily trackable.

Issue	Description
Response time	Vendors will respond to questions/queries within one business day Vendors should be able to provide a timely response in order to quickly solve issues.
Contact Hours	Vendors will be available to field questions between the hours of 9AM and 5PM Vendors will be able provide support for multiple time zones.
Resolution Time	The time that elapses from the response time until the service request is resolved should be, on average, about two days. Service requests should be addressed by a qualified employee.

Jargon & Glossary

Standard Coding

UNSPSC - 78102200 - Postal & Small Parcel Courier Services

NAICS - 49111 - Postal Service

NACE - H53 - Postal And Courier Activities

Additional Resources

The Universal Postal Union - <https://www.upu.int/en/home>

Common Market Terminology

Universal Service Obligation - An agreement that legally binds a supplier to provide a baseline level of services to every resident in the country.

White Glove Services - Enhanced delivery services that often include continuous monitoring and the setup of bulky or complex products upon delivery.

Tracking - A service, also known as tracing, that allows buyers to follow the progress of their items along delivery routes.

Glossary

HS - The Harmonized Commodity Description and Coding System is maintained by the World Customs Organization as a standardized system of names and numbers for classifying traded products.

Life Cycle - All products and services go through periods of growth, maturity and decline. ProcurementIQ determines a life cycle by considering factors such as pricing trends, the level and speed of product or service change, the extent of a product's distribution and the maturity of marketing trends.

Market Share Concentration - Determined by the market share of the top four vendors for a given product or service: high is when the top four vendors account for more than 50.0% of the product or service market share, medium is from 30.0% to 50.0%, and low is less than 30.0%.

NAICS - The North American Industry Classifications System is the standard by which industries (not products) in the United States, Canada and Mexico are classified.

Price Driver Volatility Level - Determined by the average absolute difference in the percentage change of input cost items and external demand drivers over the past three years: high is 3.5% or greater for all drivers, medium is from 2.0% to 3.4% for all drivers, and low is 1.9% or less for all drivers.

Price Range - The difference between the upper and lower price bounds divided by the benchmark price: wide is greater than 50.0%, medium is from 25.0% to 50.0%, and narrow is less than 25.0%.

Price Volatility Level - Determined by the average absolute difference in the percentage change of the benchmark price over the past three years: high is 3.5% or greater, medium is from 2.0% to 3.4%, and low is 1.9% or less.

Producer Price Index (PPI) - This index represents the change in the amount that producers receive for their products or services, as opposed to the prices that consumers pay for them.

Profit - ProcurementIQ uses earnings before interest and tax (EBIT) as an indicator of a company's profitability. It is calculated as revenue minus expenses, excluding interest and tax.

Profit Level - Determined by the average profitability of the industry in which a product or service vendor operates, compared to the average profit margin for all industries in the US. There are around 700 industries in the US classified using the NAICS taxonomy (see NAICS).

Total Cost of Ownership Level - Determined by the total cost of ownership as a percentage of the benchmark purchase price per year: high is when the total cost of ownership is greater than 100.0% of the benchmark purchase price per year, medium is from 50.0% to 100.0%, and low is less than 50.0%.

UNSPSC - Coding for each report title is based primarily on the United Nations Standard Products & Services Code. The code is a hierarchical classification codeset of expenditure items.

Wages - The gross total wages and salaries of all employees in the industry. The cost of benefits is also included in this figure.

Z-Score - The Altman Z-score formula is used to help predict a company's chances of going bankrupt within the next two years. The Z-score uses multiple corporate income and balance sheet values to measure the financial health of a company. Z-scores above 2.9 are defined as having a low financial risk level; scores between 1.23-2.9 are at a medium risk level and scores below 1.23 are a high financial risk level.