

U.S. Domestic 10:30 am Delivery Performance Study

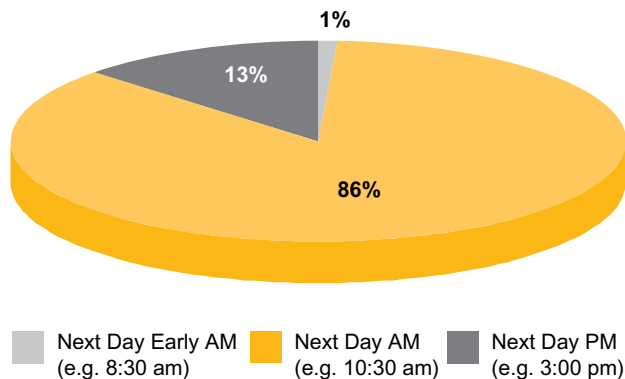


This study has been carefully designed to measure the performance of the major express logistics carriers in the U.S. on next day deliveries promised to customers by 10:30 am. PA Consulting Group designed and executed research of the highest standards that provides information about the industry from the customer perspective¹. The business critical outcome measured in this study is how often carriers deliver on time.

The U.S. domestic express carrier industry

The U.S. domestic express industry is fiercely competitive and dominated by three global companies: DHL, FedEx and UPS. The latter two are long-established in the U.S. with combined market share of over 70% in 2005².

Figure 1: Next Day Domestic Air Market



The Next Day AM market makes up approximately 86% of next day shipments and within this 10:30 am delivery is the industry standard. It is the most significant product in the category in terms of industry revenue generated as well as customer expectation for on-time delivery. The product is targeted to U.S. businesses that require rapid and reliable service.

The purpose of the study

In 2006, DHL Express wanted to understand its 10:30 am delivery performance in relation to its major competitors, as seen through the eyes of the customer. Performance reports are not usually based directly on service as experienced by the customer but instead reflect electronic scans by carriers. In addition, performance data commonly available includes adjustments to account for many factors outside of the carrier's control, including weather, traffic, and mechanical failure. DHL was particularly interested in the speed and reliability of deliveries with results unadjusted for the factors such as those above.

Designing the study

PA's team established that speed and reliability of delivery would be measured as follows:

- Delivery reliability – The percentage of shipments delivered on or before 10:30 am the day after the package was due for pickup.
- Speed – The time that a package spent in transit between the close of business on the day of pickup and the actual delivery time the next day.

In addition, PA's team concluded that the study must be:

- Objective – Design must not be influenced in any way by any of the carriers.
- Representative – Testing the U.S. market requires that the study include a reasonable coverage of the U.S. business population.
- Statistically sound – The study must test enough shipments to support the interpretation of results with a high level of confidence³.

Therefore, the study was designed to test shipments between 44 of the 50 largest cities in the U.S. and in four major regions. These cities are in the Metropolitan Statistical Areas (MSA's) that cover approximately 40% of U.S. businesses/population. In total, each of the 20 destination cities received 240 packages from each DHL, FedEx and UPS for a total of 720 packages. Overall, 14,400 shipments were sent.

The study simulated typical business conditions in order to validly measure the customer perspective. The PA team sent packages from a network of field offices operating out of business premises in each of the 24 origin cities to create a realistic test.

Data collection

The 14,400 physical shipments were sent during the summer of 2006, in exactly the same way, at the same time and on the same day for each carrier. None of the carriers tested knew when or where the study was conducted.

¹ This study was sponsored exclusively by DHL. This study was neither sponsored nor endorsed by Federal Express or UPS.

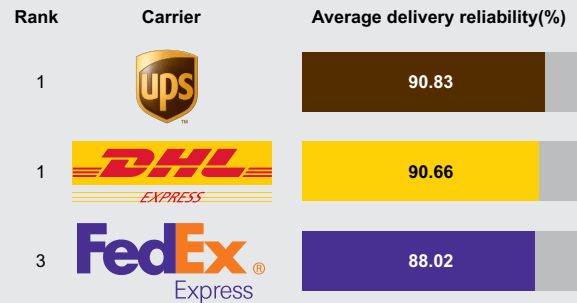
² Source: Colography 2005

³ Not all of the differences in performance described in this brochure are statistically significant at the 95% level of confidence.

The Results

Overall, two of the three major carriers performed at very similarly high levels. UPS and DHL led in delivery reliability. There is no statistical difference between reliability provided by UPS and that provided by DHL. The chart to the right shows how each carrier performed.


























Figure 2: 10:30 am Delivery Reliability



Note: A 1% differential is required to claim statistical significance at the 95% level of confidence.

Results varied considerably in the four regions. To the Northeast, DHL was the most reliable and also led jointly with UPS to the Midwest. UPS was most reliable delivering to the West. FedEx led to the South.

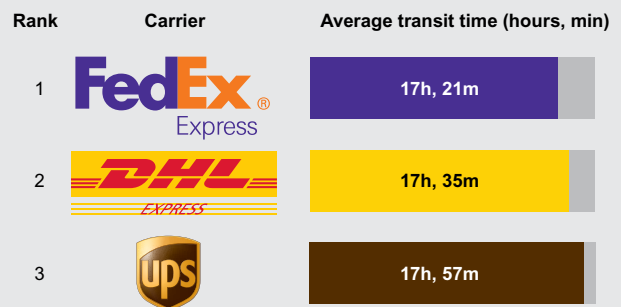
Figure 3: 2006 Overall Rank in Delivery Reliability

		Destination region				
		Midwest	Northeast	South	West	All
Origin region	Midwest					
	Northeast					
	South					
	West					
	All					

There were also large differences in delivery reliability in the 20 cities that were tested. DHL led on delivery reliability in 10 of the cities, including New York, Boston, Providence, Los Angeles, Chicago, Cleveland, St. Louis, Washington, Phoenix and Riverside, CA. FedEx and UPS each led in five cities. For UPS these cities were: Pittsburgh, Detroit, Minneapolis, Seattle and Atlanta. FedEx led in these cities: Philadelphia, Dallas, Houston, Miami and San Francisco.

There was no strong relationship between delivery reliability and transit time, suggesting that delivering faster or slower does not increase reliability. FedEx delivered the most quickly with an average transit time of 17 hours and 21 minutes; DHL was close behind with an average transit time of 17 hours and 35 minutes.

Figure 4: Average Transit Times





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