

Shipping surcharges are up nearly 26% since 2021

Article

The challenge: Shipping costs are eating into retailers' margins due to baseline rates at **UPS** and **FedEx** rising a cumulative 25.8% since 2021, per AFS Logistics data cited by Bloomberg. Further price hikes next year will drive up that increase to 33.2%.

- That doesn't include additional fees for fuel surcharges, shipping to rural addresses, or oddly shaped packages, nor does it include peak-season surcharges.
- As [retailers pull the holiday season earlier and earlier](#), carriers are keeping pace by advancing peak-season surcharges. When peak-season surcharges were first introduced widely in 2017,

they spanned 34 days; this year they will cover about 111 days.

The bigger issue: Small and mid-sized retailers are hit the hardest by the price increases because carriers offer discounts to customers based in part on volume.

- That gives a clear advantage to larger retailers, particularly during the holiday season when competition is heightened.
- Smaller merchants face the difficult decision to either eat into their margins by absorbing the additional costs or pass those costs on to customers, increasing the possibility that they'll drive them to a larger competitor.

Our take: During the final stretch of the holiday season, retailers' primary focus needs to be getting shoppers' orders delivered to their doors by Christmas Day.

But over the longer term, merchants need to carefully evaluate their shipping strategies to determine whether they can make changes such as shifting from air service to ground delivery to keep costs in check.

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