From figuring it out to getting it done
Agenda

• **INTRODUCTION**

• **THE UPS NETWORK**

• **THE LAST-MILE DILEMMA**

• **THE PRESENT AND FUTURE**
One network, countless options

LEVERAGE THE WORLD’S LARGEST TRANSPORTATION NETWORK

**Package**
- Express
- Deferred
- Day-Definite

**Freight**
- Air
- Cargo
- Ocean
- Road

**Contract Logistics**
- Warehousing
- Distribution
- Service Parts Logistics
- Transportation Management
- Supply Chain Management and Consulting
Global reach at the local level

WHEREVER AND WHENEVER YOU NEED US

UPS operates more than 8,300 alternative fuel and advanced technology vehicles worldwide. The fleet includes electric, hybrid electric, hydraulic hybrid, compressed natural gas (CNG), liquefied natural gas (LNG), propane and lightweight fuel-saving composite body vehicles.
Here to help

- **COUNT ON US TO HELP YOU SOLVE YOUR PROBLEMS AND MAKE LIFE EASIER BY:**
  - Opening up global markets for greater growth
  - Delivering innovative solutions for your industry
  - Helping create a closer bond between you and your customers
  - Bringing the big ideas needed for your small-business success

- **FROM FIGURING IT OUT TO GETTING IT DONE, WE’RE HERE TO HELP**
The Last-Mile Dilemma

- # of US packages delivered is expected to rise to 11B by the end of 2018 and move to 16B by 2020*

- B2C will make up more than half of those packages and two-thirds by 2020*

- Amazon effect*
  - 100M Prime members
  - 25% of all US packages delivered to today
  - On track for 50% of all packages delivered by 2020

Illustration by Lars Leetaru
The Present and Future

- UPS recently applied for a patent to use blockchain technology to plan package routes and track them globally, as they are handled by multiple carriers, according to a filing made public on Thursday.

  - The application describes storing data regarding point of origin, destination and shipment parameters, generating a transportation plan, tracking and completion of the shipment, including payment, using blockchain technology.

  - Just a few months before submitting the patent application, UPS announced that it had joined the Blockchain in Trucking Alliance (BiTA) in order to improve transactional efficiency and increase trust between parties completing transactions.

- ORION algorithm, which plans the daily routes for its 55,000 drivers across North America

  - On-Road Integrated Optimization and Navigation (ORION) - the algorithm has cut down total miles driven by about 100 million annually, ultimately speeding up deliveries.

The Present and Future

• UPS recently started using a new predictive analytics algorithm to optimize the movement of parcels throughout its entire delivery network

• The algorithm will collect and analyze more than 1 billion data points per day on factors like package weight, shape, and size. From there, it'll cross reference the data with historical delivery trends to estimate capacity, package volumes, and customer demand

• Predicting demand will help UPS better utilize its planes, trucks, and warehouses to quickly and inexpensively get customers their packages

• In the trucking industry, for instance, on average, only 50% of a fleet's total hauling capacity is being used at any given time. By more accurately understanding future volume and its own capacity through the tool, UPS can appropriately direct resources to ensure trucks and planes are full before they make deliveries. Better yet, the company can direct its trucks and planes to locations where it expects demand will be the highest

The Present and Future

Newest solutions:

- UPS Access Point & Lockers
- I-Parcel – Consolidated International Last Mile
- UPS e-Fulfillment B2C & UPS Ware2Go B2B
- Smart Locks – Latch Pilot
- Demand Generation Partners
  - Rakuten
  - Listrak
  - Netilixer
  - Zinrello
- Deliv
The Present and Future

74% of Americans favor drone delivery to remote areas only reachable via water.

62% of Americans favor using drones to deliver medical supplies to places that are difficult to reach during disasters.

In the next decade, the commercial drone industry is projected to generate more than $82 billion for the U.S. economy.

The combined number of commercial and hobbyist drones are expected to rise from 2.5 million in 2016 to 7 million in 2020.

How UPS is using drones:

**URGENT DELIVERIES:**
2016: Working with CyPhy Works, a drone manufacturer that UPS previously invested in through the UPS Strategic Enterprise Fund, UPS conducted a test using drones to deliver urgently-needed medical devices to a youth camp on Children’s Island in Marblehead, MA.

**HUMANITARIAN RELIEF AND CRITICAL HEALTHCARE SUPPLIES:**
2016: UPS created a global partnership with Zipline, a robotics company, and Gavi, the Vaccine Alliance, to explore using drones to transform the delivery of life-saving healthcare products like blood and vaccines around the world. The first flights of medical supplies to Rwanda are being conducted in October 2016.

2015: UPS participated in a multi-state study coordinated by Measure, a 32 Advisors company specializing in drone applications, on behalf of the American Red Cross to help inform decision-making on key issues related to drone use and policy. The study focused on using drones in disaster relief and humanitarian aid.

**WAREHOUSE OPERATIONS AND INVENTORY MANAGEMENT:**
UPS has been testing drones inside warehouses in Louisville, Kentucky and Venlo, Netherlands to check high storage racks to confirm stock or available space as an alternative to using forklifts and ladders.

Thank you!
The eFulfillment Solution solves 3 SMB supply chain problems
Small & Medium sized merchants face 3 problems when considering outsourcing fulfillment

2Day Reach

Simplifying ecommerce fulfillment

Capacity Management
Peak volume and growth

Problem 1

Problem 2

Problem 3

Solve 1

Solve 2

Solve 3

Configurable fulfillment:
- UPS Fulfilled (FBU) and/or Merchant Fulfilled (FBM)
- Business rule set-up in portal
- Merchant chooses locations (UPS recommendations)
- UPS manages order routing
- No minimum volumes

• UPS executes during peak volume surges
  -- 5:1 Peak-Avg. ratio
• Scale warehouse space incrementally --- no need to find new facility or renegotiate contract

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UPS Bi-Coastal Warehouse Footprint

The UPS eFulfillment network provides economical delivery solutions enabling flexibility to meet your consumer’s expectations in a 2-day world.
UPS Fulfillment Service Solution Breakdown

The UPS Fulfillment solution is broken down into four parts

**Warehouse Management System**
- Distributed Order Management
  - Site sourcing
  - Transportation optimization
- Connections to top SMB platforms
- Pack slip customization

**Value Added Services**
- Gift Messaging
- Merchant Branding
  - Packing list
  - Shipping labels
- Returns processing (menu of options)
- Late order cut-offs

**Fulfillment Services**
- Bi-coastal Fulfillment network
- US Domestic shipments
- Direct to Consumer
- Peak volume management
- UPS procured packaging solutions

**Customer Service and Support**
- Merchant visibility portal
- Customer Service team for day-to-day issue resolution
- Program Management specialist
  - Improve supply chain performance