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## UPS unveils network “transformation” to target fast-growing e-commerce sector

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2018/09/17 11:21 στην κατηγορία INTERNATIONAL

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UPS has unveiled a new strategy targeting major growth in domestic and cross-border e-commerce volumes by 2022.

At an investor presentation yesterday, chief executive David Abney said package revenues would climb 40%, with cross-border income jumping 28%.

He said: “We are transforming from a position of strength and implementing an enterprise-wide transformation that will enable and accelerate our enhanced business strategy.

“Transformation will lift our earnings, as we generate higher-quality revenue and use technology to increase operating efficiency and enhance customer service.”

Mr Abney added that the strategy would also focus on the continued expansion of the US B2B and B2C, healthcare and SME markets.

Chief marketing officer Kevin Warren reiterated the integrator’s focus on SME e-commerce volumes, which he said generated profits and revenues “several times higher” than larger firms.

“We’re making greater use of analytics to price more effectively, improving win rate; but [we] are also looking at products that help better leverage B2B and B2C markets,” he said.

“It will be an enterprise-wide approach with collaboration across the departments as we look to bring in a richer mix of SME clients.”

The firm will build new, and renovate existing, facilities, with plans to add capacity for another 350,000-400,000 pieces being sorted per hour each year between now and 2020. That is around seven times the additional sortation capacity added in 2017, UPS said.

“This transformation is happening; it is not years down the road. Using technology, we are optimising the flows of freight and packages across the UPS network,” said Mr Abney. “Today nearly 50% of our nearly 35m sorted packages a day are processed

using new more-automated facilities.”

Plans to open seven new automated sortation facilities in the period were also announced, which UPS said would improve efficiency by up to 35%.

The strategy announcement followed a fallow start to the year for UPS – it reported a 13% decline in operating profit in the second quarter. CFO Richard Peretz attributed this to fewer domestic US packages, and Mr Abney said yesterday around two-thirds of the new strategy would be aimed at improving this segment.

“When we complete this phase of our network enhancement, in 2022, 100% of eligible volume in the US will be sorted using these new highly automated sites,” added Mr Abney.

***(By Alexander Whiteman, The Loadstar)***