



2020 Holiday Peak / Strategic Views

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Three Messages:



1. **While challenging, 2020 has delivered significant insights that we must consider to maximize our opportunities going forward.**
2. **Understanding the 'new' needs of customers will enable future success stories for all of us.**
3. **Critically important to partner and conduct joint planning with your suppliers (including logistics) to ensure alternative optionality in fast-changing conditions.**

Delivery experience represents a market opportunity



Three primary **enablers drive next day delivery disruption** in the small package market, including:

- 1. eCommerce growth and maturation:**
 - Realigning fulfillment center locations
 - Ground-based next-day more feasible
- 2. Value chain consolidation:**
 - Vertically integrate supply and demand levers
 - Offer targeted next-day delivery to improve costs
- 3. New delivery entrants & business models:**
 - Implement mobile and digital platforms
 - Engage independent contractors and “gig economy”

COVID-19 has accelerated the eCommerce surge exposing gaps and opportunities



New customers
are buying
online for the
first time



Existing
customers are
increasing
frequency
of online
purchases



Discovering
benefits of
quality,
convenience
and **security**



Store closures
will push more
consumers and
merchants
online



In response,
businesses
are
reinventing
themselves



COVID-19 is causing consumers to spend more on essential goods

Plan to spend more

Preventative healthcare

Fresh foods

Organic foods

Household care products

Vitamins / supplements

Savings

Packaged food & beverage

Pet supplies & services

Non-prescription medications

Education

Utilities

Children's clothing

Insurance

Mortgage / rent / home renovation

Medical procedures

Plan to spend less

Handbags and fashion

Luxury brands & products

Vacation / leisure travel

Business travel

Outerwear

Restaurants

Gambling

Public transportation

Women's clothing

Toys & games

Alcohol

Tobacco / smoking

Long-term Impact is unknown...

Source: BCG COVID-19 Consumer Sentiment Survey, Wave 2, March 13-16 2020 (N = 2,345 US; UK 2,787; France 2,521; Italy 2,206), unweighted; representative within ±3% of census demographics. Note: Question text: "How do you expect your spend to change in the next 6 months across the following areas?" Excludes categories with N < 100. Net score = percentage of respondents spending more - percentage of respondents spending less. The order of the categories is based on the median value of all four countries.



Holiday Peak 2020:

Knowns:

- **Importance of eCommerce and digital channels**
- **Challenging pre-season inventory levels**
- **Calendar shift:** Christmas falls at end of week
- **Last mile capacity challenges**
- **Potential of COVID vaccine release**
- **Manufacturing agility** has also been highlighted as a core competency, inventory challenges experienced

Develop Plan A

Known Un-Knowns:

- **Consumer behavior:** Will social distancing during holidays drive more gift giving and shipping activity?
- **Stimulus effects:** Will there be additional stimulus packages, timing?
- **Holiday economics:** What will the consumer outlook be following the election?
- **Holiday season:** What will drive the start of holiday purchasing? What purchasing behaviors will we see between brick and mortar and online?

Develop Plan B

Key Takeaways



1

Businesses that rely on product must be diligent about their supply chains, both inbound and outbound. **(make your reservations early!)**

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2

eCommerce creates significant pressure on last mile logistics particularly during critical peak seasons. We recommend both **A** and **B backup plans**.



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3

COVID has acted as a catalyst, increasing the rate of change and **creating new customer groups** providing us with a likely view of future commerce.


The UPS Store™

4

Joint planning with quality logistics **partners** will pay significant dividends in the level of preparedness.

 Customer
Technology
Program

5

UPS is deeply committed to Small and Medium businesses, providing them with logistics capacity and capability throughout the year and **especially during peak conditions.**


Access Point™



Thank You