

“Stop Overpaying for Parcels: When USPS Beats UPS and FedEx”

“We have the best rates through UPS.”

“We ship everything through FedEx.”

“We use the free UPS (or FedEx) online shipping platform.”

These are the most common statements we hear and ironically, they usually signal the largest savings opportunities.

This is not a sales pitch for the United States Postal Service (USPS). It is a strategic discussion about where USPS® fits within a modern shipping mix, how its economics differ from private carriers (UPS® and FedEx®), and how to access the most competitive pricing structures.

For this analysis, we will focus on the most widely used USPS® services including Priority Mail® (2–3 Day) and Ground Advantage™ (2–5 Day), and compare them to two-day, three-day, and Ground (1–5 Day) services from UPS® and FedEx®. In the overnight space, most mid-to-high volume shippers can typically negotiate competitive private-carrier rates, so that segment is not our focus.

Weight	Overnight	2 Day	3 Day	Ground	USPS Priority Mail®	USPS Ground Advantage™
Zone 2 - Local within 250 miles (Delivery Time Days)	1	2	3	1	1-2	2-5
0.5 LB Ltr	\$36.00	\$27.00	\$17.00	\$12.00	\$8.63 (\$7.36 - .1 Cubic)	\$5.69 (\$4.74 - .1 Cubic)
1 LB	\$41.00	\$27.00	\$17.00	\$12.00	\$8.63 (\$7.36 - .1 Cubic)	\$6.43 (\$6.08 - .1 Cubic)
5 LB	\$53.00	\$30.00	\$22.00	\$14.00	\$10.70 (\$7.88 - .3 Cubic)	\$9.04 (\$6.70 - .3 Cubic)
10 LB	\$61.00	\$36.00	\$28.00	\$16.00	\$13.55 (\$9.32 - .4 Cubic)	\$11.35 (\$7.46 - .4 Cubic)
Zone 5 - Half way across country (Delivery Time Days)	1	2	3	2-3	2-3	2-5
0.5 LB Ltr	\$58.00	\$35.00	\$27.00	\$14.00	\$12.01 (\$10.86 - .1 Cubic)	\$5.89 (\$4.91 - .1 Cubic)
1 LB	\$84.00	\$36.00	\$27.00	\$14.00	\$12.01 (\$10.86 - .1 Cubic)	\$7.12 (\$6.72 - .1 Cubic)
5 LB	\$125.00	\$55.00	\$41.00	\$19.00	\$19.93 (\$13.87 - .3 Cubic)	\$12.48 (\$8.59 - .3 Cubic)
10 LB	\$163.00	\$81.00	\$55.00	\$20.00	\$25.72 (\$17.10 - .4 Cubic)	\$15.52 (\$9.80 - .4 Cubic)
Zone 8 - Coast to Coast	1	2	3	2-3	2-3	2-5
0.5 LB Ltr	\$67.00	\$46.00	\$41.00	\$15.00	\$14.09 (\$12.59 - .1 Cubic)	\$6.24 (\$5.20 - .1 Cubic)
1 LB	\$103.00	\$47.00	\$41.00	\$15.00	\$14.09 (\$12.59 - .1 Cubic)	\$7.78 (\$7.35 - .1 Cubic)
5 LB	\$145.00	\$83.00	\$67.00	\$22.00	\$27.02 (\$17.28 - .3 Cubic)	\$17.77 (\$11.42 - .3 Cubic)
10 LB	\$196.00	\$129.00	\$100.00	\$26.00	\$31.24 (\$22.91 - .4 Cubic)	\$23.46 (\$13.53 - .4 Cubic)
Other Charges						
Fuel Surcharge	20%	20%	20%	21%	0%	0%
Residential Fee	\$7.00	\$7.00	\$7.00	\$6.50	\$0	\$0
Delivery Area Surcharges	\$4.50-8.85	\$4.50-8.85	\$4.50-8.85	\$4.50-8.85	\$0	\$0
Address Correction Fee	\$25.25	\$25.25	\$25.25	\$25.25	\$0	\$0
Discounts	Varies by Client	Varies by Client	Varies by Client	Varies by Client		
Minimum Service Fees	Varies by Client	Varies by Client	Varies by Client	Varies by Client		
Dimensional Rates	All Items L*W*H/139	All Items L*W*H/139	All Items L*W*H/139	All Items L*W*H/139	Only Items over 12x12x12, L*W*H/166	Only Items over 12x12x12, L*W*H/166

Private Carrier Discounts and Minimum Service Fees

In the chart above, we have provided the list prices of the private carriers (UPS® and FedEx®). Most customers will have some sort of discount off these rates that can be as high as 80%. There is one area that most customers don't pay attention to called “Minimum Service Fees”. This is a threshold that no matter how big your discount is, the rate cannot go below.



For example, if a 1 lb. Zone 2 Ground shipment lists at \$12 and you have a 60% discount, you would expect to pay \$4.80. However, if your Minimum Service Fee is \$10, that discount becomes largely irrelevant.

For many lightweight, short-zone, or low-revenue shipments, the Minimum Service Fee quietly erodes negotiated savings. Understanding where those thresholds apply is essential before assuming your private carrier agreement is optimized. Also, it is the minimum service fee rate that should be compared, which may be higher than the USPS service.

Accessorial Fees

These fees can make up 20-50% of the shipping charge and are growing at the fastest rate. ***We are going to focus on the most common UPS/FedEx fees that the USPS does not charge, making them ripe for savings.***

- Fuel Surcharges – These fluctuate, but at the time of writing this article are at 20% for Air and 21% for Ground. These will typically add at least \$2 per package.
- Residential Fees - \$6.50–\$7.00 per shipment. For organizations shipping to homes, this is often the single largest cost driver and one of USPS’s strongest competitive advantages.
- Delivery Area Surcharges (DAS) – \$4.50–\$8.85. These apply to approximately 61% of U.S. ZIP Codes deemed less densely populated. Notably, carriers now apply DAS in parts of New York City due to operational complexity.
- Address Corrections - \$25.25 per occurrence

When layered together, these fees can double the effective cost of a shipment. In many residential or rural areas, USPS pricing can create substantial savings simply by eliminating these accessorial costs.

Dimensional Rating

Box Size	UPS®/FedEx® Minimum Weight	USPS®
8" x 8" x 8"	4LB	Actual Weight
12" x 12" x 12"	13LB	Actual Weight
16" x 16" x 16"	30 LB	25 LB
20" x 20" x 20"	58 LB	49 LB

Private carriers have dimensional rates on all boxes, where the USPS only calculates these rates for items over 1 cubic foot. Also, the private carriers calculate dimensions as Length x Width x Height divided by a factor of 139. USPS calculates with the same method but uses a factor of 166. This means that for each box size, USPS will rate at a lower weight as you can see in the chart above.

USPS Discount Levels

USPS pricing is not a single rate; it is a layered structure with four distinct levels. Optimization depends on how shipments are processed, the technology supporting them, and what volume commitments you can make.

Retail – These are the rates paid at the Post Office counter or when processed through a postage meter.

Commercial – This requires you to generate a 4X6 shipping label through a third-party shipping platform or API connection. The savings over Retail averages 16% for Priority Mail® and 28% for Ground Advantage™ (Based on items 20LB and under which are the most common).

Cubic – This is a rate structure that provides discounts for taking up less than a cubic foot of space. This is great for dense material going in the smallest boxes possible. These rates are primarily offered through third party shipping systems who make available their direct negotiated discounted rates with the USPS. As you can see from the chart at the top of the article, we listed out the most common cubic rates available. The discounts can be as high as 89% based on weight, zone and dimensions. The technology required also starts at nominal levels of \$15 per month.

USPS Direct Negotiated Service Agreement (NSA) – If you can commit to higher mail volumes, the USPS will be able to give you your own specific rate structure where you can get their lowest prices.

When to Consider the USPS

While every shipping profile is unique, USPS deserves consideration in the following scenarios:



- Shipments under 20 lbs.
- Residential items should always be compared due to the high accessorial fees.
- Items shipped to rural areas due to Delivery Area Surcharges
- Dense items produced in boxes less than a cubic foot due to the dimensional rates of the private carriers. Also, the USPS gives extra cubic discounts for items taking up smaller percentages of a cubic foot.
- Items that are less than 1 LB to be sent USPS Ground Advantage™ because it has 4-, 8-and 12-ounce rates vs. the private carriers that start at 1LB.
- Paper – Many companies send a lot of documents typically going through expensive air services. USPS is a huge savings opportunity due to the reasons above.
- Prescriptions – Many pharmacies are shipping prescriptions UPS and FedEx which is expensive with the accessorial fees. USPS can provide attractive pricing and is the main carrier for the largest chains.

Conclusion

It would be great if we could put our head in the sand and just use one carrier for all items. The issue is we will be spending much higher rates for this convenience. There are too many scenarios where USPS should be considered. Also, there needs to be thought about how USPS shipments are being processed because of the differences in discount levels. The best case is that you have technology that can compare the carrier's side by side on a transaction-by-transaction basis. This will make it the easiest to make the right decisions for each item. The good news is that if these comparisons are done, there are significant cost reductions available.

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