

The Future for FedEx, UPS, and Other Shippers Isn't as Bleak as It Looks

Dec. 26, 2019 12:09 pm ET

Text size



Don't bet against FedEx. Photograph by Justin Sullivan/Getty Images

Online shopping dominated the 2019 [holiday retail season](#). But [holiday shipping](#) isn't done yet for all Santa's little helpers who work feverishly to deliver presents around the globe. It entered its second

phase on Thursday: holiday returns season.

"This holiday season has been better than ever thanks to our customers and employees all around the world," said [Amazon.com](#) (ticker: AMZN) founder and CEO Jeff Bezos in a Thursday [news release](#). The e-commerce behemoth said it shipped billions of packages worldwide.

Amazon, [in this story](#), is Santa. It is—usually—feeling good right about this time of year. The elves are logistics providers such as [FedEx](#) (FDX), [United Parcel Service](#)

(UPS), and [Stamps.com](https://www.stamps.com/) (STMP). They are the entities, along with the 240-plus-year-old U.S. post office, working to make Santa so efficient.

It wasn't easy to be an elf in 2019, delivering billions of packages in a compressed holiday season. Thanksgiving—and therefore Black Friday—fell six days later on the calendar this year than it had in 2018.

Santa's helpers, for the most part, were up to the challenge. FedEx, for instance, employs 15 meteorologists to help plan express and ground shipping schedules.

"Some of the National Weather Service reports are six to 12 hours apart," Kory Gempler, weather services manager at FedEx Express, tells *Barron's*, explaining the benefits of having internal staff. "That can be too much data delay, and a lot of FedEx flights are at night. You can't call the National Weather Service and ask for an update."

Not all logistics providers have a team of weather people on staff. The function can be out sourced to third parties. But the FedEx team has been around since 1986.

In modern times, Santa and the elves can't relax like they did in the olden days. The rise of e-commerce has changed retail and the logistics industry. For starters, e-commerce means more returns. Packages are now going in the other direction, back from where they came.

New research from ShipStation, a division of Stamps.com, shows that more than half of shoppers plan to return more in 2019 than they did last year. What's more, two-thirds of the packages are going back within a week of Christmas.

Clothing is the No. 1 most-returned gift. Taste can be a difficult thing for gift givers to judge. The least-returned gift? Pet supplies. Apparently, dogs and cats don't have a lot of say in the matter.

For investors, holiday-returns season means that the final chapter of the 2019 holiday retail story isn't written yet. Returns will be a new topic to focus on when management teams update investors in January.

The research from ShipStation can help guide the conversation. It shows the vast majority of shoppers prefer to make returns in store, giving bricks-and-mortar retailers a small leg up if they can offer an integrated online and in-store experience. Many retailers, such as [Best Buy](#) (BBY), now allow shoppers to order online and have items either delivered or picked up.

The 2019 holiday season isn't all full of cheer. Most of the elves have had a [tough year](#). FedEx stock is down about 7%, excluding dividends, trailing far behind comparable gains of the [Dow Jones Industrial Average](#) and [S&P 500](#). Stamps.com shares are down about 45%. Only UPS stock has kept up with the market, posting gains of better

than 20% year to date.

But *Barron's* still sees a lot of potential in logistics, given the inexorable growth in e-commerce.

"FedEx is aggressively expanding North American packaged services for the rapidly growing e-commerce market to include year-round 7-day delivery," said FedEx CEO Fred Smith on the [company's earnings conference](#) call Dec. 17. FedEx is also insourcing packages formerly given to the post office and building more ground and large package facilities.

The transition has been rough, but e-commerce growth is the future. "Fred has a command of the future," David Waddell, of wealth manager Waddell & Associates, tells *Barron's*. His namesake firm is in FedEx's backyard—Memphis. He thinks it's unwise to bet against Smith.

Write to Al Root at allen.root@dowjones.com