Top 25 Items to Negotiate in Your Upcoming UPS, FedEx or Regional Parcel Carrier Contract

You can negotiate hundreds of items in a parcel contract. FreightWise has narrowed it down to the top 25 items to look for and what you can potentially negotiate.

September 2025

Introduction

Before we start, there are hundreds of items in a parcel contract, and most are negotiable elements. Carriers like UPS and FedEx and even regional parcel carriers intentionally make some of the verbiage in their parcel contracts confusing for shippers – by design.

These documents are oftentimes lengthy as well, so combing through the contract is critical to ensure you aren't getting surprise termination language, surcharges, tiers, etc.

If you don't have time to read through all 25, here is what we recommend:

01 Don't go alone.

Even if you don't use FreightWise, we strongly recommend you leverage a partner to help you review your parcel contract. It is important to not only look at your current volume and business today, but also think through the future of your business or use vendor's tools to model what the impact could be. A partner like FreightWise can help you model what your potential impact of this contract is today and then three years from now.

02 Watch out for accessorials.

We see shippers focus on base rates, but they miss looking at the nuances around accessorial charges. We recommend when looking at UPS and FedEx accessorial charges:

- Accessorials and surcharges can oftentimes account for 25% to 40% of a package's shipping cost.
- Fuel accessorial or surcharges for parcel shipments can account for 20% of additional cost.
- Look at the expiration dates for your surcharges. We typically see some carriers put an expiration date on the surcharge or accessorial, but some may run the length of the contract. Pay special attention to those as you review your contract.

25 Items to Negotiate in Your Parcel Contract

01 Rebates or Deferred Incentives

- **What is a rebate or deferred incentive in a parcel contract?**
  Often called a deferred incentive (think of it like a rebate), it is a partial refund or credit the carrier gives back to you when you meet specific shipping volume or spend targets. See minimum requirements below, but think of a rebate as a frequent buyer thank you for spending money with them.
- **What can you negotiate with rebates or deferred incentives?**
  Rebates or Deferred incentives are often only offered for shippers with a parcel spend over $1 million dollars. Something good to look for is "net transportation" as part of a rebate is applied. These can be complicated to follow, so make sure you review in detail.

02 Base Rate Caps

- **What is a base rate cap for parcel contracts?**
  This is a maximum limit on the base shipping rates the carrier can charge you. It protects you from unexpected rate hikes and keeps your costs predictable.
- **What can you negotiate with base rate caps?**
  Review base rate caps in parcel agreements are helpful, but what most shippers don't realize is that these do not apply to accessorials and surcharges. So this may not be as protective as you might think, because it ONLY applies to parcel base rates.

03 Payment Terms

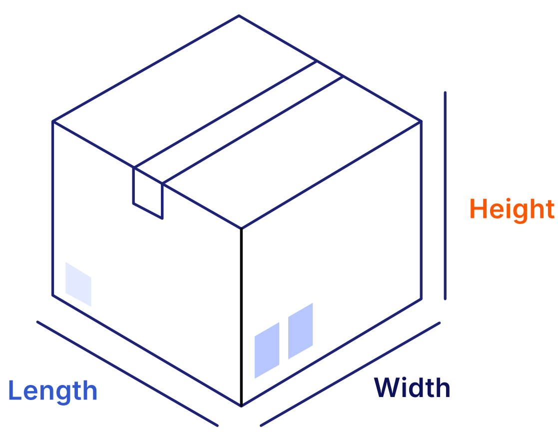
- **What is a standard payment term in a UPS or FedEx contract?**
  These define when and how you pay your carrier invoices—such as "net 30," meaning payment is due 30 days after the invoice date. Clear payment terms keep your cash flow smooth.
  - For **UPS**, the standard or default payment term length in a contract or when payment is due is 7 days after invoice date.
  - For **FedEx**, the standard or default payment term length in a contract or when payment is due is 15 days after the invoice date.
- **What can you negotiate with payment terms on parcel contracts?**
  Depending on your parcel spend this is something you can negotiate with FedEx or UPS.

04 Termination Fees

- **What is a termination fee in a parcel contract?**
  This is standard with a lot of contracts, but if you end the contract early, termination fees are the charges that are imposed. Understanding these helps you avoid costly surprises if your business needs change.

05 Dimensional Factor, Dimensional Weight or Dim Divisor

- **What is the dimensional factor in a parcel shipment?**
  Parcel shipments don't just consider the weight of the package, they will also measure how big the shipment is. They take the lengthXwidthXheight and will divide it by a number called a "dim divisor." Whichever number is higher - the dimensional weight or the actual weight will be the price you are charged. It influences whether you pay by actual or volumetric weight.
- **What are the standard dimensional weights or dim divisors for parcel carriers?**
  - **UPS:** 139 dim divisor
  - **FedEx:** 139 dim divisor
  - **USPS:** 166 dim divisor
  - **DHL:** 166 dim divisor



If Paying Retail Rates

$$\frac{L \times W \times H}{166} = \text{DIM Weight}$$

If Paying Daily Rates

$$\frac{L \times W \times H}{139} = \text{DIM Weight}$$

- **What can you negotiate with dimensional weight?**
  Typically, the "dim divisor" is set at 139 or 166. If you can get a higher number or if you know that you typically have oversize shipments, this is a good number to try and negotiate within a parcel contract. This is a key place where parcel shippers can lose margin on their products without knowing it.

06 Base Rate Discounts

- **What is a base rate discount in a parcel contract?**
  This is the percentage or amount discounted off the carrier's published base rates. It's your core negotiating win—not just a small perk, but a key driver of your bottom line.
- **What can you negotiate with the base rate?**
  This contract item is the one we at FreightWise see shippers negotiate the most, but remember this is just the base rate and won't include the typical 25% to 40% of accessorials or surcharges on top of this base rate.

07 Termination Language

- **What is terminational language in a parcel contract?**
  The contract wording around how either party can end the agreement, including notice periods and conditions. Strong termination language can give you flexibility and security.

08 Agreement Term Length

- **What is a standard parcel contract agreement length?**
  How long the contract is in force—typically one or multiple years. Knowing your term helps align your shipping strategy with business goals and upcoming growth plans.
- **What to be aware of with FedEx parcel contract length?**
  FedEx parcel contracts typically will structure base rate discounts indefinitely, but will typically put a one to three year contract term on surcharge discounts. Shippers using FedEx need to ensure they are aware of those dates, so that they don't go back to published rates.
- **What to be aware of with UPS parcel contract length?**
  For UPS parcel contracts, they will typically make the base rates and surcharge discounts offered indefinite. However, both carriers may set a 1 to 3 year expiration date of the entire contract if there are profitability concerns.

09 Peak or Demand Surcharge Calculation

- **What is a peak surcharge calculation?**
  During busy shipping seasons (these typically run September to January of the new year), carriers add extra fees—peak surcharges—to cover increased demand. This clause explains how those surcharges are calculated and applied. This is different than #13 of Peak and Demand Surcharge Discounts.

10 Minimum Charge Reduction (Net Minimum)

- **What is a net minimum or minimum charge reduction in a parcel contract?**
  Even if your discount looks great, it doesn't count if you pay more on small, low-weight shipments. Negotiating a lower minimum charge or "net minimum" ensures you get real savings across all zones and weights.
- **What to negotiate on your minimum charge reduction or net minimum?**
  Negotiating your floor is a powerful tool. No matter your discount, you'll never realize it in many lower zones and weights if you aren't negotiating your floor rate aka net minimum.

One thing to keep in mind with Minimum Charge Reductions or Net Minimums.

FedEx will offer discounts strictly as dollar amounts, for example they will give a discount of $2.49 off. In contrast, when negotiating Minimum Charge Reductions or Net Minimums with UPS, they will give a percentage off. These discounts may be the same today, but in two years, if the rates go up, UPS's discount will increase as your rate increases, whereas FedEx's will be the same dollar figure.

11 Minimum Revenue Commitments

- **What are minimum revenue commitments in a parcel contract?**
  This is the guaranteed minimum amount of money you promise to spend with the carrier (UPS or FedEx) during the contract. Meeting these commitments often unlocks better rates.

12 Revenue-Based Incentives: % Discount

- **What are revenue based incentives in a parcel contract?**
  Discounts tied to reaching specific revenue milestones. The more you ship, the bigger the discount—fueling growth and rewarding volume.

13 Surcharge Discounts: Peak/Demand

- **What are parcel peak surcharges or parcel demand surcharges?**
  Discounts applied specifically to peak or high-demand surcharges, reducing extra fees during busy periods. This typically runs leading up to the end of the year and will run through some of January.

14 Surcharge Discounts: DAS/EDAS/RAS

- **First, what are these acronyms?**
  FedEx and UPS have categorizations of different zip codes to determine how difficult they are to service. Thinking through locations that are more rural. An example is there are approximately 200 zip codes that are deemed as "Delivery Area Surcharge Remote," which means if you want to ship to one of these locations, you will be paying a surcharge on top of the base rate to ship to that location.

  - **Delivery Area Surcharges (DAS):**
    For both UPS and FedEx, DAS is determined based on the zip code being delivered to, typically designed for remote or harder to reach locations. These are applied to both ground and air shipments and are added onto the base rate.
  - **Extended Delivery Area Surcharges (EDAS):**
    If the address is REALLY remote or rural, there will be an extended delivery area surcharge added on top of the base rate.

U.S. Package Services	Per-Package Charge
Commercial	**$4.20**
Extended Commercial	**$5.25**
Residential	**$6.20**
Extended Residential	**$8.30**
Remote (Commercial and Residential)	**$15.50**

Source: FedEx Service Guide

  - **Residential Area Surcharges (RAS):**
    If a delivery is made to a home vs. a business, this is charged given the effort to get to the residential address.

- **What are surcharge discounts (DAS, EDAS, RAS)?**
  Discounts on certain surcharges like Delivery Area Surcharges (DAS), Extended Delivery Area Surcharges (EDAS), and Residential Area Surcharges (RAS), which carriers charge for special or less-accessible delivery zones. Of note, each address is categorized as one of the above. So you cannot get hit with a Delivery Area Surcharge (DAS) and an Extended Delivery Area Surcharge (EDAS).

15 Surcharge Discounts: Fuel (Percentage and/or Cap)

- **What are fuel surcharges in a parcel contract?**
  Fuel surcharges can quickly add up, so this is a critical piece to review in your FedEx or UPS agreement. Reductions on fuel surcharges, either as a percentage discount or a cap limiting how high the surcharge can go. It helps control cost volatility tied to fuel prices.

16 Surcharge Discounts: Additional Handling

- **What are additional handling surcharges in a parcel contract?**
  Discounts on fees for packages needing special handling—think oversized or fragile items—helping lower overall shipment costs.

- **How can you negotiate additional handling surcharges in a parcel contract?**
  This is another critical one to negotiate if you have larger shipments, because you can erode margin quickly with these charges on specific SKUs.

17 Surcharge Discounts: Residential Delivery

- **What are residential delivery surcharges in a parcel agreement?**
  Savings on delivery surcharges to residential addresses, which are typically higher due to complexity compared to commercial deliveries.

18 Dimensional Factor: Calculation Threshold

- **What is the dimensional factor calculation threshold in a UPS or FedEx agreement?**
  Different from the dim divider you can negotiate, the dimensional calculation threshold is the specific package size or volume point at which dimensional weight pricing kicks in, influencing whether you pay by actual weight or dimensional weight.

19 Revenue-Based Incentives: Tier Thresholds

- **What is the tier threshold in a parcel contract?**
  Predefined revenue levels that unlock different incentive rates—basically, reward tiers that get better as your shipping spend increases. These are typically 52 week rolling averages.
- **What can you negotiate for revenue-based incentives in a parcel contract?**
  Revenue-based incentives can be challenging. But brackets can be moved to avoid having to move tiers (so you don't lose your valuable discount). This is important if you have a slow season to ensure you aren't always held to your busy season volume.

This is one of the most common areas where shippers get hung up. Keep in mind, Revenue Tiers are typically given in gross spend vs. net spend before the discounts are applied. And these typically are 52 week rolling averages.

20 Rate Caps: Minimum Revenue Threshold

- **What is a minimum revenue threshold rate cap in a parcel contract?**
  A guarantee that the carrier's rate caps apply only after you've met a minimum revenue level, encouraging increased shipping volumes to access the best rates.

Bonus Tip: You can also negotiate how far in advance you are communicated about an upcoming change

21 Early Termination Volume Drop

- **What is an early termination volume drop in a parcel contract?**
  Early Termination Volume Drop refers to the reduction in your shipping volume that occurs if you end a parcel carrier contract before the agreed-upon term. Essentially, if you decide to terminate the agreement early, carriers often look at how much your shipment volume has dropped compared to contract commitments.
- **What can you negotiate in an early termination volume drop in a parcel agreement?**
  This "volume drop" can trigger additional fees or penalties, because carriers planned their rates and incentives based on your expected shipping volumes.

22 Minimum Billable Weight (MBW)

- **What is Minimum Billable Weight (MBW) in a parcel contract?**
  The minimum billable weight is the smallest weight amount that UPS or FedEx will charge you for shipping a package—even if your package weighs less. For both carriers, that minimum is typically 1 pound. That means if your package weighs just a few ounces, you'll still pay for 1 full pound. This standard helps carriers cover the basic handling and transportation costs for every shipment, no matter how light.

- **What can you negotiate with Minimum Billable Weight (MBW) in a parcel contract?**
  Any package with a Large Package Surcharge is automatically billed at 90 lbs and any package that gets Additional Handling is automatically billed at 40 lbs. You CAN negotiate a lower Minimum Billable Weight (MBW) in a pricing contract. The 40 lb MBW for Additional Handling is a brand new policy as of 2025 so it's more important now.

23 Right of First Refusal

- **What is the right of first refusal in a parcel contract?:**
  This means you have to get approval from a parcel carrier in order to use a different carrier.

- **What to negotiate with the right of first refusal? In a parcel agreement?**
  Look for this one and get the carrier to remove it, because it could lock you into the agreement and remove your negotiating power.

24 Zone based discounts

- **What is a zone based discount in a parcel contract?**
  If you have high volume in particular zones, you can negotiate discounts based on that high volume.

25 Service Level Discounts

- **What are service level discounts within a parcel agreement?**
  Ground, 3 Day, Next Day, etc. you can negotiate service level discounts, if you have most of your volume going to a specific service level, you can try and negotiate this service level.

Bonus Tip:

UPS Ground Saver or FedEx Ground Economy
You can also negotiate how far in advance you are communicated about an upcoming change

Definition of FedEx Ground Economy or UPS Ground Saver services:
These slower ground economy services (called UPS Ground Saver or FedEx Ground Economy) are tailored for residential shippers with packages ranging in 1 lb to 9 lbs.

What to negotiate on Economy Parcel Shipping Services:
While this is for consumers vs. businesses, one thing to look out for is FedEx's published rates for FedEx Ground Economy are about 7.5% cheaper than UPS Ground Saver, but FedEx is going to add a $1.10 surcharge on every FedEx Ground Economy package called a "Delivery & Returns" surcharge. Once this surcharge is taken into consideration, the rates are pretty comparable, so a good final reminder that you have to look beyond base rates.

You made it!

Make sure to take your time or find a parcel partner who can help you. Sometimes parcel consultants can help model the data to understand what these rates look like holistically, as you grow, or if your business changes.

Ship smarter with FreightWise.

FREIGHTWISE