

# UPS: What should a global operating model standardize?

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## A new structure, an unfinished design

On August 31, 2026, UPS announced a global operating model effective the next day. A new Chief Global Operations Officer would oversee global air and gateways, surface operations, buildings and engineering, and the Intelligent Network. A Chief U.S. Domestic Officer would lead U.S. domestic operations. UPS also announced a Chief Global Commercial Strategy role, while its International, Healthcare and Supply Chain Solutions leadership remained with the Chief International and Healthcare Officer. Management described an ambition to standardize critical processes globally while keeping flexibility for local markets.

The announcement established reporting lines. It did not publicly specify which operating decisions would move to global leaders, how local exceptions would work, what a common process would mean across markets, or how the company would judge whether the model improved performance. At the information cutoff, the structure had been in place for one month—too soon for public results to show its effects.

UPS had just completed a difficult network transition. Management said the planned glide-down of Amazon volume and associated U.S. network reconfiguration were complete in June. The company was turning toward profitable growth, with priorities that included healthcare, business-to-business shipping, small and midsize businesses, and international markets. The implementation question was now concrete: where could common global processes improve coordination, and where would central rules get in the way of local operating economics or customer commitments?

## One network, different operating conditions

UPS reported 2025 revenue of \$88.7 billion and average daily volume of 20.8 million packages. It served more than 200 countries and territories. The company describes air and ground as an integrated network, but its operations span different geographies, service promises and business lines. International Package covers varied country and trade-lane requirements. Supply Chain Solutions includes forwarding, logistics, healthcare and other businesses; it is not a standalone healthcare profit statement.

Even within the U.S., package volume and economics were moving in different directions. In the second quarter of 2026, U.S. Domestic average daily package volume was 16.002 million, down 3.3% from a year earlier. Revenue rose 6.0% to \$14.930 billion, and average revenue per piece

rose 9.3% to \$14.24. That average reflects fuel surcharges, service and customer mix, and revenue actions; it is not a pure measure of price increases.

The segment reported \$16 million of operating profit, a 0.1% margin. UPS's adjusted operating profit was \$1.188 billion, an 8.0% adjusted margin. The adjusted figure excludes selected items under a company-defined measure. U.S. Domestic cost per piece was \$14.23 on a GAAP basis and \$13.09 adjusted; this measure excludes cargo and other activity. Management cited separation costs, USPS fees related to Ground Saver outsourcing, higher fuel, contractual wage rates, and lower volume and stops as cost pressures, partly offset by productivity and network reconfiguration. These figures describe a transition quarter. They do not isolate the effects of the new operating model.

The other segments had distinct results and exposures. International revenue was \$5.044 billion, up 12.5%, while average daily volume declined 5.8% and revenue per piece increased 18.9%; currency, fuel and mix affect that measure. International operating profit was \$623 million. Supply Chain Solutions revenue was \$2.860 billion, up 7.8%, and operating profit was \$291 million. These reported segment totals do not reveal the route- or customer-level economics of shared processes.

### Exhibit 1. Selected operating evidence

| Measure                                           | Q2 2026                                         | Comparison / definition                            |
|---------------------------------------------------|-------------------------------------------------|----------------------------------------------------|
| U.S. Domestic average daily packages              | 16.002 million                                  | Down 3.3% year over year                           |
| U.S. Domestic revenue                             | \$14.930 billion                                | Up 6.0% year over year                             |
| U.S. Domestic average revenue per piece           | \$14.24                                         | Up 9.3%; affected by mix, fuel and revenue actions |
| U.S. Domestic operating profit                    | \$16 million reported; \$1.188 billion adjusted | 0.1% reported margin; 8.0% adjusted margin         |
| U.S. Domestic cost per piece                      | \$14.23 reported; \$13.09 adjusted              | Excludes cargo and other activity                  |
| International revenue / operating profit          | \$5.044 billion / \$623 million                 | Revenue up 12.5%; daily volume down 5.8%           |
| Supply Chain Solutions revenue / operating profit | \$2.860 billion / \$291 million                 | Revenue up 7.8%; broad multi-business segment      |

*Source: UPS Q2 2026 Form 10-Q and July 28 earnings release. Reported and adjusted measures use different definitions; adjusted values are non-GAAP.*

UPS disclosed substantial transition activity. It permanently closed 44 buildings during the first half of 2026 and recorded about \$1.1 billion in Driver Choice separation costs in that period. In January, management estimated approximately \$3.5 billion of 2025 year-over-year cost savings associated with changes in its largest customer's volume and forecast about \$3 billion of 2026 savings from Network Reconfiguration and Efficiency Reimagined. These are management calculations and forecasts with distinct scopes; they are not independently established savings and should not be added together as realized profit.

Amazon and its affiliates represented 10.6% of UPS consolidated revenue in 2025, substantially all in U.S. Domestic Package. Revenue share does not reveal the customer's contribution margin. The company said the glide-down and related network reconfiguration were complete

as designed, but public information did not quantify the incremental economics of the volume, the capacity freed, or the profit contribution of replacement business.

## What can be shared?

Operating research offers competing mechanisms, not a direct answer for UPS. A study of 327 Swiss Post delivery units found modeled economies associated with density, scale and joint mail-and-parcel delivery. The authors' measures are conditional on their 2004 Swiss sample and cost-function specifications; they are not UPS estimates. More volume on existing delivery points can have different economics from expanding into new territory, and sharing two activities can differ from either form of growth.

Other evidence points in different directions. A published Amazon operating case describes a shift toward eight interconnected but more self-sufficient U.S. fulfillment regions. The authors report improved distance, touchpoints and in-region fulfillment in Amazon's network, based on its own models and implementation. Amazon's fulfillment centers, inventory and operations differ from UPS's parcel and logistics network. The example suggests that a global network may benefit from deliberate regional boundaries, but its reported savings cannot be transferred to UPS.

The relevant operating question is not whether a single global process is always better. It is which interfaces and decisions benefit from common rules, and which depend on local demand density, geography, service promises, customs, labor arrangements or customer needs. Public segment results cannot answer that question at the route, facility, process or customer level.

## The implementation choice

Assume you are advising the leadership team responsible for implementing the announced structure. This is a classroom assignment, not a claim that UPS commissioned or disclosed such a review. Recommend a first-wave operating model that states:

1. **Decision rights:** Which decisions should the global operations leader own, which should U.S. and international leaders own, and which require joint approval? Address network and capacity planning, engineering/process standards, local delivery and service design, customer commitments, and data definitions.
2. **Boundaries and exceptions:** Identify what should be common across markets and what should be adaptable. Explain who may grant exceptions, under what evidence, and how to prevent local variation from eroding shared-network coordination.
3. **A pilot:** Choose a specific process and a plausible set of markets or facilities. Define a baseline, comparison method, timing, and the evidence required before expansion. The case supplies no local operating data; specify what managers must collect rather than inventing route economics.
4. **A decision rule:** Propose a compact scorecard that tests total cost and customer outcomes together. Include service reliability and operational feasibility, and explain how the team would distinguish structural improvement from mix, fuel, volume, wage, transition-charge or outsourcing effects.

Three broad approaches are available for analysis. A **global-platform-first** approach would centralize most network, process, engineering and commercial standards, with narrow local exceptions. A **federated-geography-first** approach would leave broad operating and commercial authority with U.S. and regional leaders, under a common data layer. A **selective-integration** approach would globalize a defined backbone-such as planning

interfaces, engineering standards and core data-while preserving local authority over last-mile execution and market-specific service choices. These are classroom alternatives, not announced UPS plans.

### **Discussion questions**

- Which operating activities have the strongest case for global standardization, and which should remain local? Explain the mechanism for each choice.
- What would you pilot first? How would you choose a comparison group and avoid mistaking volume, customer or service mix for an operating-model effect?
- Which cost, capacity and service measures belong on the scorecard? What threshold or evidence would trigger expansion, redesign or termination?
- How should global, U.S. and international leaders resolve a conflict between network utilization and a local customer or service requirement?
- What additional data would you request before scaling the model? Which decisions can be made now despite the missing data?

### **Sources and scope**

Company facts and definitions are drawn from UPS's 2025 Form 10-K (filed February 17, 2026), Q2 2026 Form 10-Q (filed August 5), July 28 Q2 earnings release, August 31 operating-model announcement, and January 27 2026 earnings release. Academic context is from Farsi, Filippini and Trinkner (2006), and the Amazon authors' 2026 regionalization article. Full citations, links, reading-depth notes and locators are in the accompanying research dossier at [site/research/united-parcel-service-inc/](https://site/research/united-parcel-service-inc/).

No route-level density, customer contribution, local process cost, capacity or service baseline was available in the reviewed public sources. The case therefore asks students to design decision rights and an evidence-generating pilot; it does not support a calibrated economic ranking or a claim that the new structure has succeeded.