

Buying a FedEx Route Business

Your next boring business idea is at your doorstep... *literally.*



CONTRARIAN
 **THINKING**

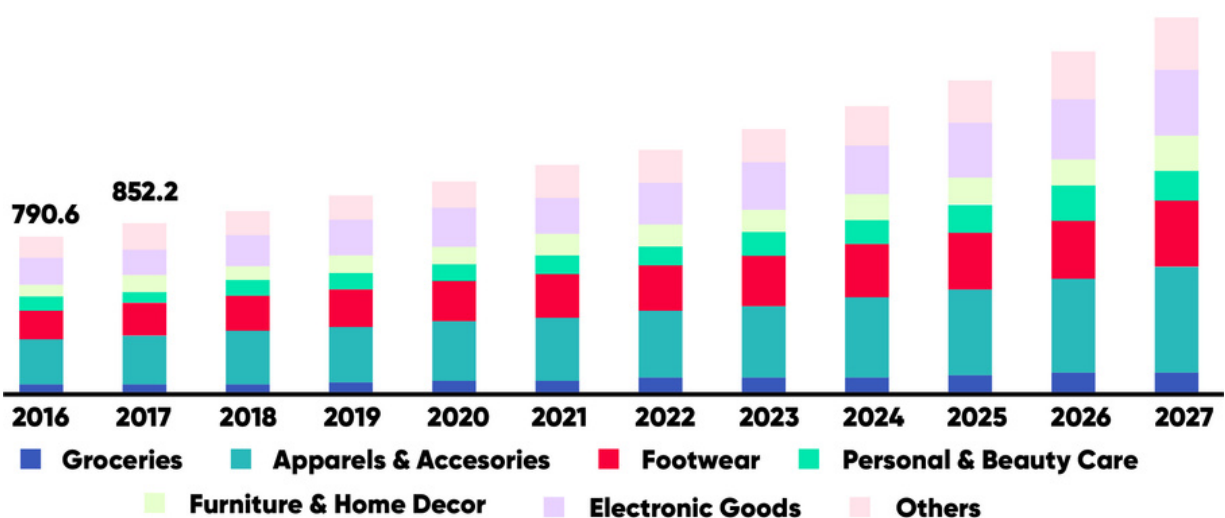
Intro Benefit from the e-commerce boom with FedEx routes

Online shopping has exploded since 2020. So has the number of e-commerce business jockeys fighting for scraps. Who wants to compete with paid ad spends, big tech algos, and FBA wars?

Here's an extra-boring pick-and-shovel e-commerce business idea that requires zero marketing and zero advertising... but can still scale to 7 figures. Want to profit off the e-commerce boom? Buy a FedEx route.

The shipping industry is growing fast, and FedEx is at the forefront. FedEx routes are 100% independently owned and operated, and it's a low barrier to entry relative to other forms of business ownership. Plus, if you play your cards right, the potential profits and exits are more than enticing.

U.S. retail e-commerce market size by product 2016-2027 (USD Billion)



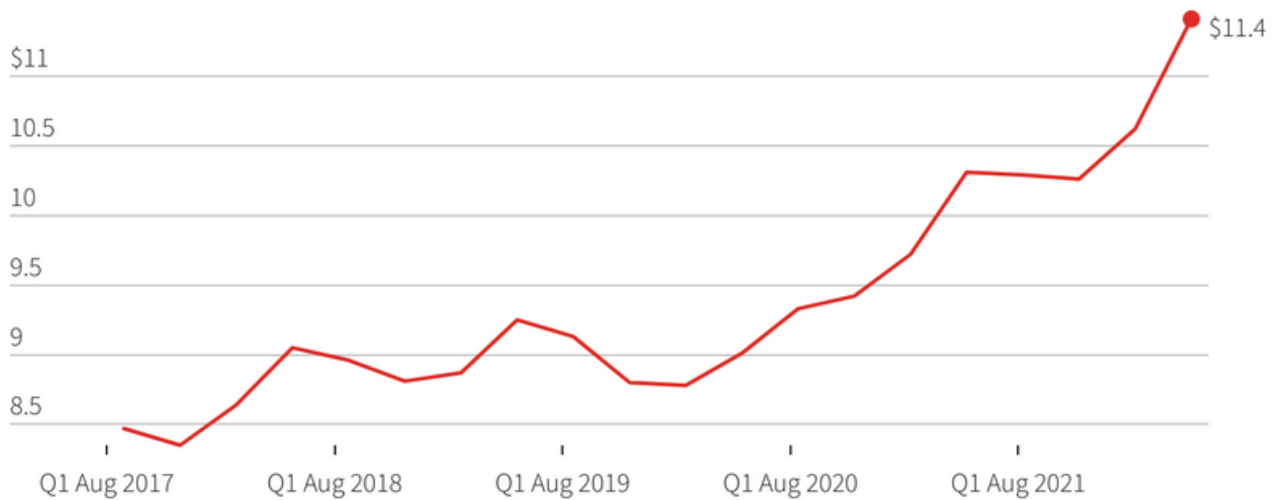
In this playbook, we'll cover everything you need to know about acquiring or running a FedEx route business, from evaluating the valuation to operations and procedures. We're going to cover it all.

With operations typically selling at 4-5x EBITDA, owning a FedEx route business can be a great investment opportunity. So, buckle up your freight truck seatbelt, and get ready to learn about the world of FedEx route businesses.

[According to a report from 2019](#), FedEx Ground's package volume was 2.28 billion, which increased to 2.54 billion in just one year.

Upward trend

FedEx Ground's revenue per package, also known as yield, has risen steadily



Note: FedEx's fiscal year is from June to May. The horizontal axis shows the quarter-ending months.

Source: FedEx

Summary

This playbook outlines the steps for acquiring or running a FedEx route business. You'll learn the structure and components of a FedEx route, how to find and evaluate a route, budget, search for available routes, and set up a corporation for your business. We'll also cover FedEx's requirements for owning and operating a route.

Beyond the nuts and bolts, expect some advice on market growth potential, legal implications, hiring and staffing, marketing, how to scale quickly, and operations and procedures.

Steps for Buying a FedEx Route

Step 1: Understand the structure & and main components of a FedEx route

A FedEx Route Business typically consists of a small business or corporation that operates multiple routes. As an Independent Service Provider (ISP) for FedEx Ground, route owners are responsible for managing their business operations, including their drivers, vehicles, and package delivery processes. They must be prepared to handle growth, even starting with just a few routes.

But that doesn't mean you're totally on your own.

What does FedEx provide ISPs?

FedEx provides ISPs essential support to the transportation segments, including sales, marketing, IT, communications, customer service, technical support, billing and collection services, e-commerce services, data management, networking expertise, solutions design, customer support, sales and marketing, and information technology.

High-performing operators can earn FedEx bonuses based on customer service and other factors.

What are ISPs responsible for?

ISPs are responsible for managing their business operations, including their drivers, vehicles, and package delivery processes.

Business management software like FedEx DRO, which stands for Dynamic Route Optimization, is the standard-issue route optimization software given to FedEx drivers. [FedEx DRO](#) can help ISPs save time and scale their business. ISPs can choose tech and software that works best for their business, and there are other software options, like [Straightaway](#).

As an independent contractor for FedEx, a FedEx route owner has a degree of control over their business operations, but you must follow specific requirements and guidelines.

That includes delivery schedules, vehicle types, and branding guidelines. As a contractor, you ensure that your business operations meet these requirements.

Additionally, as a business owner, you have control over certain aspects of your business, such as hiring employees, managing schedules, and overseeing day-to-day operations. You are also responsible for maintaining and replacing vehicles, managing finances, and handling customer service issues.

Ultimately, FedEx has the last say.

It's important to note that while you have some control over your

business operations, you are still subject to the terms and conditions of your contract with FedEx. If there are changes to FedEx's policies or requirements, you may need to adjust your business operations accordingly.

While you own your business, FedEx has specific requirements for owning and operating a route. These include setting up a corporation, meeting particular financial and operational standards, and complying with FedEx's policies and procedures. Make sure you understand these requirements before you start looking for routes to buy.

To own a route with FedEx, you must sign a contract and become an independent contractor. You are not an employee of FedEx and will not receive health insurance, a retirement plan, or other benefits from FedEx.

Depending on the route you buy, you may have to hire or manage the existing employees if you don't operate the route yourself (see Step 6: Focus on operations). That requires providing uniforms and potentially insurance or retirement plans. As a business owner, you are responsible for your taxes and other expenses, like fuel, buying or leasing your trucks and equipment, and maintaining them.

FedEx route drivers must meet specific licensing and traffic safety record requirements. You must have no more than three moving violations in the last three years and a maximum of one in the previous 12 months. They must also be able to pass a background check and a Department of Transportation physical and drug test.

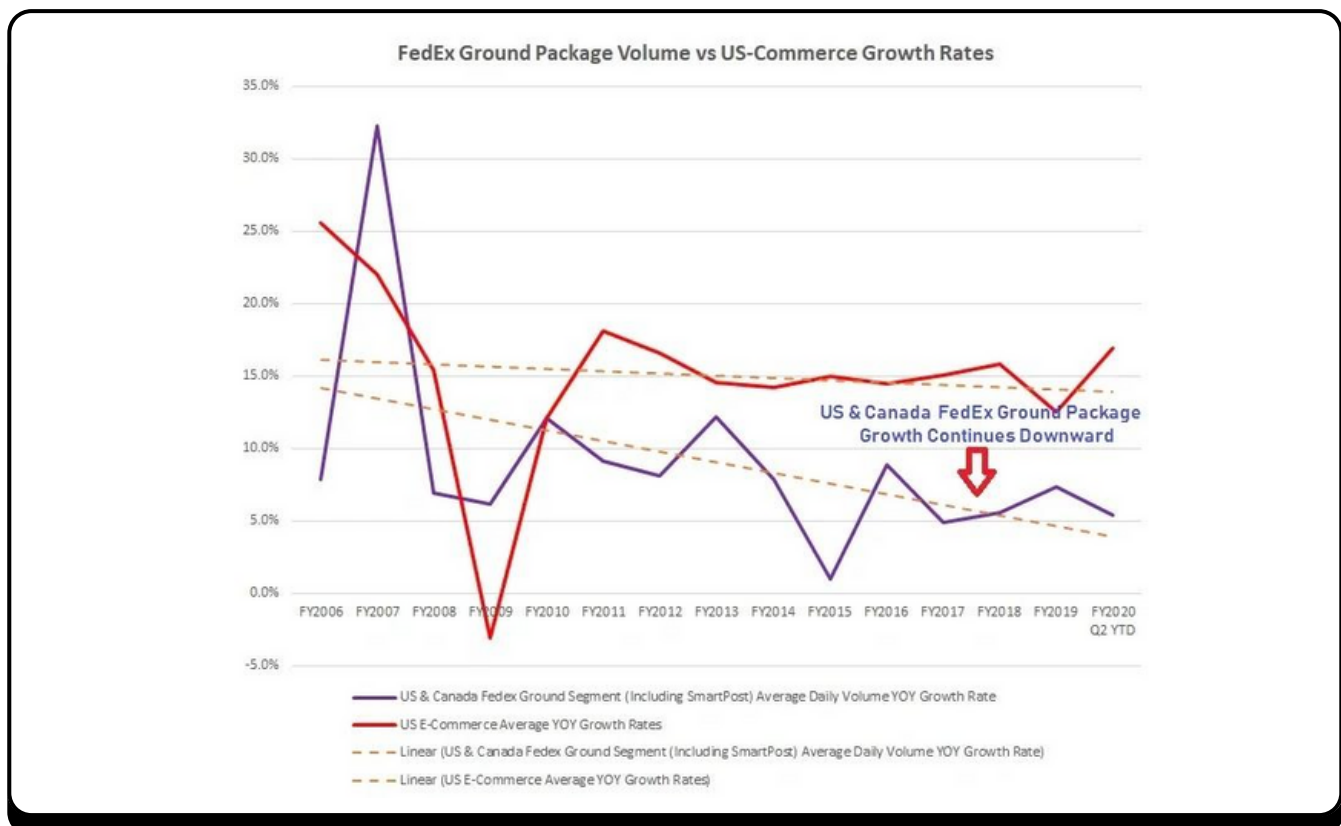
We will reiterate -- this is NOT a franchise business, and you own 100% of your business and operate as an ISP.

What are some of the risks?

Like any venture with a relatively lower barrier to entry, there are risks (and indeed some criticisms) of buying and running a FedEx route. Covid caused a significant increase in demand for package delivery services. However, the surge in demand also highlighted the potential downsides of owning and operating a FedEx route business.

Here are a few key downsides to consider:

The following chart outlines the downward trend of US & Canada FedEx ground shipments, despite a relevant increase in US e-commerce. More online shopping doesn't necessarily mean more people will use FedEx to receive packages.



- As an independent service provider, you bear the labor and vehicle costs.
- **Changing variables:** Critics accuse FedEx of making it difficult for ISPs to profit by increasing their workload, cutting their pay, and imposing new fees and penalties. These are variables that are out of the control of the ISP.
- **Unpredictable revenue streams:** Holiday seasons will be busy, whereas summer months might be a little slow. Prepare for unpredictable revenue streams.
- **Limited flexibility:** Some FedEx contractors have voiced concerns about the company's compensation structure and the need for more control over their business operations.
- **Dependence on FedEx:** As a FedEx contractor, your business relies on its continued success and growth. If FedEx were to experience financial difficulties or change its business model, it could impact your business.
- **High initial investment:** Purchasing a FedEx route can require a significant upfront investment, including the cost of vehicles, equipment, and other operational expenses. This can be a barrier to entry for some potential business owners.
- **Labor-intensive:** Running a FedEx route business requires a significant amount of physical labor, including loading and unloading packages, driving long distances, and maintaining

- vehicles. Fleet management is physically demanding and may require hiring additional employees.
- **Risk of competition:** Depending on the location of your route, you may face competition from other FedEx contractors or other delivery services, which can impact your business. But other FedEx CSPs within your route aren't your only rival. One of the biggest online retailers in the world also created its own delivery service, it's called Amazon.

Yes, these challenges are genuine. But no boring business comes without its challenges. Operating a FedEx route business can still be profitable for entrepreneurs willing to invest the time, effort, and resources to succeed.

Alright. You heard the ups, the downs, and the in-betweens. Still reading? Cool.

If this seems like a venture worth pursuing, here are the steps you must take to make it happen. The meat and potatoes of the FedEx route sandwich, if you will. The meat and potatoes of the FedEx route sandwich, if you will.

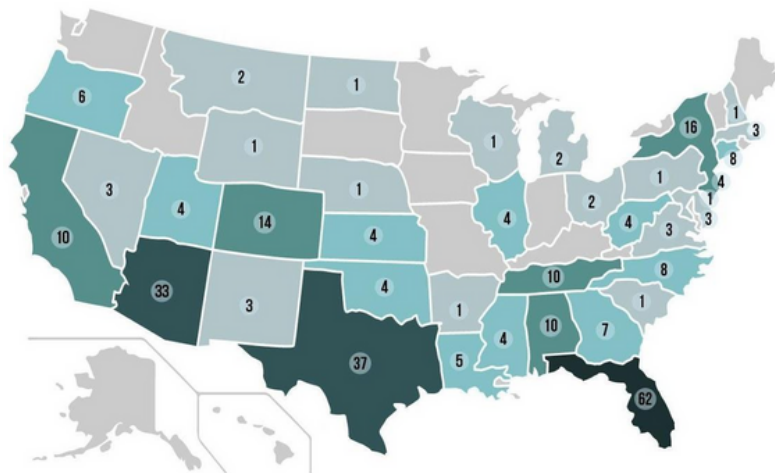
Step 2: Find a FedEx route to buy

Before you start looking for FedEx routes to buy, you need to **determine how much you can afford to invest** and your business goals. Understanding your objectives as a business owner will help you narrow your search to routes that fit your budget and meet your objectives.

Let's start searching! But hold on a second. What kind of route do you want to take? No two routes are the same, and there are several factors to consider when deciding what route is best for you.

Here are a few considerations:

Some markets are more popular than others. As you can see in the graphic, states with larger populations, like Texas, California, New York, and Florida, usually see higher demand for FedEx routes. That means the price will be more competitive and less affordable.



STATES	TOTAL DEALS	STATES	TOTAL DEALS	STATES	TOTAL DEALS	STATES	TOTAL DEALS	STATES	TOTAL DEALS
AK	0	GA	7	MD	3	NH	1	SC	1
AL	10	HI	0	MN	0	NJ	4	SD	0
AR	1	ID	0	ME	0	NM	3	TN	10
AZ	33	IL	4	MI	2	NV	3	TX	37
CA	10	IA	0	MO	0	NY	16	UT	4
CO	14	IN	0	MS	4	OH	2	VA	3
CT	8	KS	4	MT	2	OK	4	VT	0
DC	0	KY	0	NE	1	OR	6	WA	0
DE	1	LA	5	NC	8	PA	1	WI	1
FL	62	MA	3	ND	1	RI	0	WY	1
				WV	4				

- **Favorable geographic location:** Consider the geographic location of the route, including the size of the delivery area and the demographics of the customer base. A route with a large, densely populated delivery area may be more profitable than one with a smaller population and more spread-out area. Texas, Florida, New York, Colorado, and California have a higher base of interested investors because of higher demand, so you'll pay a premium to acquire a route business in those markets.
- **Well-maintained vehicles and equipment:** The condition of the cars and equipment used for the route is critical to its success. Look for a route with well-maintained vehicles and equipment to ensure that you can operate the route effectively and minimize expenses related to maintenance and repairs.
- **Stable workforce:** A route with a durable and experienced crew can make it easier to manage day-to-day operations and maintain consistency in service quality. Look for a route with low employee turnover and a strong culture of safety and customer service culture.
- Operations normally sell at **2-3.5x EBITDA**. That number has doubled in the last 4 years. There was a huge promotion to sell these at higher rates during the COVID-19 boom, with an influx of webinars specifically focused on selling FEDEX routes. This created a rise in awareness and competition for routes. The prices seem to have come down significantly for the routes depending on location. While we have still found listings for just over 5X, that appears to be the higher end. We have seen

packages with multiple routes selling for 2.25 - 3.5X. Your earnings will largely depend on the volume of packages your route manages, so focus on metrics like revenue per package and operational costs to estimate potential exit valuations. This graphic from [Trefis](#) shows an increase in total packages shipped while growth in revenue per FedEx package is starting to slow.



- The most significant percentage (60%) of FedEx routes for sale are under contract during the 3rd quarter of the year, leading up to Peak Season. You might get more reasonable offers in the off-season when fewer offers are available.
- Considering these factors, determine what FedEx routes are suitable for you.

Here's a list of marketplaces you can use to find a route for sale:

- [Route Consultant Listings](#)
- [Route Advisors Listings](#)
- [BizBuySell Listings](#)
- [KR Capital](#)

Once you know your budget and objectives and have learned about FedEx's requirements, you can make an informed purchase. Use one of the brokers or marketplaces above to find routes for sale.

Step 3: Evaluate the valuation, DYODD!

Find a route you like? Next, it's time to dive in and thoroughly investigate a FedEx route business before making a purchase. Here are some key factors to consider during due diligence:

- **Financial records:** Review the financial records of the business, including tax returns, profit and loss statements, and balance sheets. Look for trends in revenue, expenses, and earnings over time, and identify any significant costs or liabilities that may impact the business's financial performance.
- **Revenue:** Review the business's revenue history over several years. Look for revenue growth or decline trends and identify any significant changes or fluctuations. Verify that the revenue figures are accurate and that no outstanding customer disputes or claims exist.
- **Expenses:** Evaluate the business's expenses, including labor costs, vehicle and equipment expenses, fuel costs, and insurance costs. Look for significant expenses or changes over time, and verify that all expenses are accurate and properly documented. The key data range for monitoring the volatility in package volume and operating expenses is the last 6 weeks of financial reporting. Your most considerable expense will be

- payroll. How much are the employees paid? Truck repair and maintenance numbers vary widely based on expense strategies, but new contractors can expect fleet maintenance to consume approximately 15%-22% of linehaul and 8-12% P&D of their total revenue. Watch out for lines like this in a listing: "A prospective buyer has the option to assume the current vehicle leases." A listing like this could look to be selling for 2X at \$599,000 for \$303,975 in cash flow, but none of the truck costs are factored into the profit numbers.
- Other business expenses will include taxes, insurance, license plates, equipment, uniforms, accounting, office supplies, and required medical physicals for drivers. There is an acceptable variance and appropriate range for every line item on the budget. Stick within those ranges, and you can all but ensure profitability.
- **Profitability:** Assess the business's profitability, net income, and profit margins. Look for trends in profitability over time and identify any factors that may impact future profitability. Single-route businesses are much more difficult to profit from. Most listings operating only one route were only profiting \$20-30K per year. Because of that, it is common to find 5-10 routes packaged together into one business. **You basically have to own multiple routes to make it a worthwhile venture.** After putting down \$130K (10%), we can likely expect to profit around \$10K per month after debt service on a 7-year note. [Here is a deal calculator](#) based on an actual listing.

- **Cash flow:** Evaluate the business's cash flow, including its cash inflow and outflow sources. Look for potential cash flow issues or risks and assess the business's ability to generate sufficient cash flow to meet its financial obligations.
- **Assets and liabilities:** Review the business's assets and liabilities, including vehicles, equipment, and any outstanding debts or loans. Verify the value of the assets and identify any potential risks or liabilities. The value of trucks tends to make up more than half of the listing price on most of these listings. So routes are somewhat asset-based; however, remember that trucks are depreciating assets that must be replaced to keep the business running effectively.
- **Tax records:** Review the business's tax records, including its federal and state tax returns. Verify that all taxes are current and that there are no outstanding tax issues or liabilities.
- **Employee records:** Review employee records, including payroll records and employment agreements. Verify that all employees are legally authorized to work in the United States and that there are no outstanding wage or employment-related claims or disputes.
- **Equipment and vehicles:** Inspect the equipment and vehicles used for the route to ensure they are in good condition and well-maintained. Look for any outstanding maintenance or repair needs and assess the current value of the equipment.

- **Customer base:** Evaluate the customer base of the route, including the number of customers, their geographic location, and their demographics. Assess the satisfaction levels of the customer base and identify any potential opportunities for expanding the customer base.
- **Legal and regulatory compliance:** Verify that the business complies with all applicable laws and regulations, including labor and employment, taxes, insurance, and transportation.
- **Contractual agreements:** Review any contractual agreements related to the purchase of the business, including the purchase agreement and any agreements with suppliers, contractors, or other third parties.
- **Reputation and market position:** Assess the reputation and market position of the business in the local community and within the broader FedEx route network. Look for risks or opportunities related to the business's reputation and market position.
- **Future growth:** Hiring new drivers, entering new territories, and increasing expenses should all be considered, as they will ultimately affect profitability. When determining if there is potential for future growth in your market, consider population growth and e-commerce trends in the area. The more packages, the better for your business. Without population growth, seeing growth as a FedEx route is very difficult.

- **Due diligence** can be tedious, but it is essential to the boring business-buying process. Don't sleep on DD and panic buy. But now that you've done your research and feel comfortable about your investment, you can move toward formalizing the process and setting up a corporation for your new business.

Step 4: Set up a corporation

FedEx requires that your business is set up as a Corporation; you must set up a C-Corporation or an S-Corporation to operate the business. Setting up a corporation involves registering your business with the state, obtaining necessary licenses and permits, and setting up your business structure and operations.

A qualified business attorney can provide you with adequate counsel on how to set up your corporation correctly – we're just your happy business writers giving free resources, not experts on the legal jargon.

The cost of setting up a corporation may vary, depending on the corporation you choose and its location. Some states are more business-friendly than others.

Step 5: Acquire new vehicles and equipment

Does your FedEx route include a fleet of vehicles and shipping equipment, or do you need to purchase your own? How old is the fleet? How soon will you have to buy new cars, or how often will you have to spend money to maintain the existing fleet?

If you come to a point where you need to acquire new vehicles and equipment for your FedEx route business, here are some key factors to consider:

- **Capacity:** Assess the capacity requirements for your route, including the number of packages to be delivered and the size and weight of the parcels. Choose vehicles and equipment that can handle the capacity requirements efficiently and effectively.
- **Fuel efficiency:** Evaluate the fuel efficiency of the vehicles and equipment you are considering. Look for models with good gas mileage or alternative fuels to reduce fuel costs and environmental impact.
- **Maintenance and repair costs:** Consider the maintenance and repair costs associated with the vehicles and equipment you are considering. Look for models with a good track record of reliability and durability, and evaluate the cost of repairs and maintenance over the equipment's expected lifespan.

- **Safety features:** Look for vehicles and equipment with advanced safety features, such as backup cameras, blind spot monitoring, and lane departure warning systems. These features can help reduce the risk of accidents and protect your employees and customers.
- **Financing options:** Consider the financing options available for the vehicles and equipment you are considering. Evaluate the cost of financing, including interest rates and fees, and choose a financing option that fits your budget and financial goals.
- **Insurance:** Assess the insurance requirements for the vehicles and equipment you are considering. Look for insurance policies that provide comprehensive coverage for the equipment, including liability, property damage, and collision coverage.
- **Resale value:** Consider the resale value of the vehicles and equipment you are considering. Look for models with a good track record of holding their value over time, as this can help reduce the total cost of ownership over the long term.

Step 6: Focus on operations

The daily operational tasks for a FedEx route business can vary depending on the size of the company and the number of routes under operation. Here are some of the factors to keep in mind when it comes to managing your business:

- **Determine your owner-operator structure:** Do you want to be a full-time operator, a remote owner, or somewhere in between?
- **Operational knowledge:** While you may not be responsible for the business's day-to-day operations, it is still important to understand the business's operational requirements. Understand the FedEx delivery process, regulations, and safety procedures. You'll be responsible for planning and organizing daily routes, ensuring that packages are delivered on time, and managing any changes or updates to the route as needed.
- **Hiring and managing employees:** You will be responsible for hiring and managing your employees, which includes complying with employment laws, providing benefits, and managing payroll. You'll also need to recruit qualified candidates, conduct interviews and background checks, provide training on FedEx's policies and procedures, and ensure that your drivers meet all of FedEx's requirements. It may be obvious, but to be clear, all routes will require drivers, and the trucking and transportation industry has some high turnover rates between 50-70%. Finding routes with longer-term employees who intend to stay in the role can be critical to the business's success.
- **Performance monitoring:** Regardless of your involvement in the business's day-to-day operations, it is important to monitor the performance regularly. Review financial reports, analyze customer feedback, and identify areas for improvement.

- **Customer service:** Successful FedEx route businesses rely on positive customer relationships to maintain and grow their business. Focus on providing excellent customer service, communicating with customers regarding delivery times and any issues that may arise, and addressing customer concerns promptly and professionally.

The regular operational tasks for a FedEx route business can be physically demanding and require strong organizational, communication, and time management skills. But if you're detail-oriented, we have no doubt you'll be able to handle any unexpected challenges in your ownership experience.

Step 7: Look for additional income opportunities

Ok, you bought a FedEx route, and things are running smoothly. Now what? Where are the opportunities to scale or generate other **sources of revenue?**

One of the most common ways to add income is by owning additional routes. The average profit margin for a FedEx route biz is **around 15-25%**, which can increase with better economies of sale. You could expand your delivery territory by acquiring additional routes, ultimately growing your customer base and revenue potential.

Here are a few of our other favorite revenue boosters for FedEx routes:

- **Consulting services:** You could offer additional services beyond

- package delivery, such as freight transportation or logistics consulting. You can diversify your revenue streams and expand your customer base with additional services.
- **Purchasing additional vehicles:** Investing in more vehicles can allow you to take more routes and increase your capacity to handle more packages. More cars and trucks = higher profits and more growth opportunities.
- **Investing in new technology to reduce costs:** Tools like GPS tracking, automated package sorting, and mobile apps can help you streamline your operations and improve efficiency. New tech can encourage cost savings and improve customer service, which can, in turn, increase your profits.
- **Consider franchise opportunities:** To expand beyond the FedEx Route business; you could explore franchise opportunities within the transportation and logistics industry. Franchise apps offer additional revenue streams and options for growth.
- **Performance bonuses:** High-performing routes can earn FedEx bonuses based on customer service and other factors.

By diversifying your income streams, you can increase your revenue and profitability while providing additional value to your customers. As you continue to grow and expand your business, you may discover other opportunities to increase your profits and build wealth. It's important to carefully evaluate each potential income stream and determine whether it aligns with the goals and resources of the business.

Disclaimer –

Disclaimer – This is the “Be an adult” section. Everything mentioned above isn’t advice, just a recount of what I did. That said: This article is presented for informational purposes only. The opinions stated here are not intended to recommend any investment or provide tax advice. Neither are they an offer to sell or the solicitation of an offer to purchase an interest in any current or future investment vehicle managed or sponsored by Codie Ventures, LLC or its affiliates. All material presented in this newsletter is not to be regarded as investment advice, but for general informational purposes only. Day trading and investing do involve risk, so caution must always be utilized. We cannot guarantee profits or freedom from loss. You assume the entire cost and risk. You are solely responsible for making your own investment decisions. We recommend consulting with a registered investment advisor, broker-dealer, and/or financial advisor. If you choose to invest with or without seeking advice from such an advisor or entity, then any consequences resulting from your investments are your sole responsibility. By reading/sharing this newsletter or consuming our content on our other channels, you are indicating your consent and agreement to our disclaimer.