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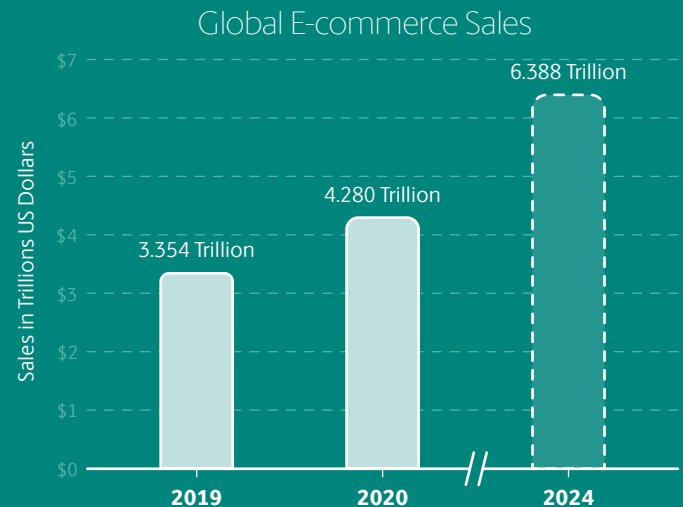
2021

Post-Shipment Experience Study

SMB e-Commerce Opportunities and Risks

E-commerce spending accelerated during the pandemic, and it's showing no signs of slowing down. According to [Statista](#), **consumers spent more than \$4.28 trillion in e-commerce marketplaces in 2020, up 27% from the prior year. That figure is expected to grow by nearly 50% by 2024.**

This trend creates a significant business opportunity for merchants of all sizes, spurring a \$151 billion¹ sales opportunity for SMBs, specifically. Despite this spike in consumer demand, however, SMBs aren't competing on a level playing field. Consumers have come to expect white-glove service offered by large retailers which can strain SMBs, as they have notoriously thin margins and less access to the resources required to deliver a seamless shipping experience. When SMBs fail to hit the mark, they stand to lose up to \$56 billion¹ of that online sales opportunity.



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While delivering a top-notch shipping experience can be challenging, it's not impossible. There are accessible, turnkey options like shipping insurance that empower SMBs to meet this CX expectation simply and affordably so they can capture their share of the growing e-commerce market.

To better understand the post-shipment experience of SMBs, UPS Capital commissioned a blind study with Evalueserve in March 2021 to research the attitudes and behaviors of U.S. e-commerce SMBs that experienced a lost, stolen or damaged shipment that resulted in a claim in the past year. The study aimed to accomplish three goals: identify pain points related to shipping claims, define how submitting claims impacts shippers, and understand how losses, damages and associated claims processes impact their customers. The research was supplemented in April 2021 with a consumer poll by Dynata of U.S. consumers aged 18+ to understand customer experience perceptions linked to shipment loss, theft and damage and a separate study in June 2021 designed to understand buying behaviors around discount holiday events.

Consumers Have Come to Expect First-Class Experiences³

The more consumers shop online, the more they expect to receive best-in-class experiences everywhere they shop – that includes retail giants and SMBs alike. They also trust larger players to get the job done. While 64% of consumers rated Amazon's shipping experience a 4 or 5 on a scale of 1 to 5, with 5 being "very good," only 29% ranked SMBs the same. **Large retailers' ability to fund best-in-class customer experiences explains this response – to a degree. What is surprising is how critical it is to SMBs' bottom lines that they ensure consumers are also getting that same level of care from them.**



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According to the Dynata poll, more than one-third (37%) of consumers are unlikely to buy from an SMB again if they have issues with the shipping experience. This is concerning for SMBs, who can't afford lost opportunities or disruptions to their cash flows. Considering that more than half of consumers (59%) spend between \$100 and \$1,000 with SMBs each year, this translates up to the \$56 billion¹ they stand to forfeit in lost sales. SMBs can recapture up to \$35 billion¹ of this, however, if they improve their shipping experience.

A total of 23% of consumers said they would remain a customer of an SMB – but only if it made quick reparations after a shipping loss or damage. However, today 71% of consumers have to wait between 1 and 2 weeks to receive a replacement or a refund.

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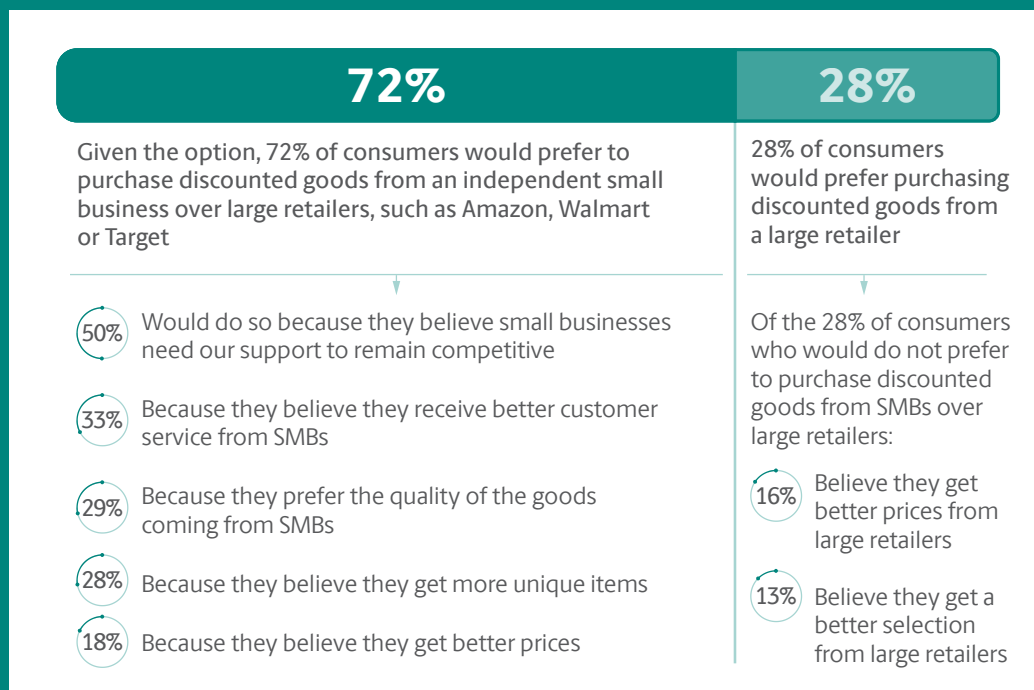
HOWEVER

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Capitalizing on Discount Holidays as an SMB⁴

With more than half of U.S. adults (56%) participating in retail discounting events, **SMBs have a huge opportunity to capture new customers and new revenue in these moments.** Nearly three-in-four (72%) consumers would prefer to purchase from an SMB over large retailers during discounting events, primarily because they feel SMBs need their support to remain competitive (50%), or because they believe customer service (33%) and product quality (29%) are better.

Still, SMBs can find themselves at a disadvantage in these moments, largely when they cannot compete on price. Only 18% of consumers who favor SMBs during these events believe they offer better prices than larger retailers. This is significant, because 74% of consumers decide which merchants to purchase from during discounting events based on which are offering the lowest prices. An additional 42% make decisions based on which merchants have the best product reviews. As our study shows, SMBs are at a disadvantage in these areas – thin margins and unexpected costs caused by shipping mishaps can make it difficult for SMBs to compete on price, while a less than perfect shipping experience, in general, can result in negative reviews and reputational damage. When you consider that **more than half of U.S. consumers (62%) expect to receive savings between 20% and 50%** during these events, it's easy to see how SMBs can get squeezed.



How much do you expect to spend during retail discounting events happening in June 2021?

\$10 - \$50	\$50 - \$100	\$100 - \$500	\$500 - \$1000	\$1000+
25%	27%	35%	9%	4%

But with the help of shipping insurance, SMBs can maximize these events with ease – and this should be their priority as they look to capture a windfall of online sales opportunity spurred by Amazon, Walmart and Target's upcoming discounting events in June. Prime Day 2020

was Amazon's most successful event on record, and consumers are "primed" to spend even more this year. More than half (55%) expect to spend the same amount or more this year, with 52% expecting to spend between \$10 and \$100. **This translates to up to \$13B² in potential sales for SMBs in the month of June alone.**

Among the top categories consumers plan to shop include home goods and furnishings (46%), apparel (46%), electronics (44%), major appliances (22%) and jewelry/accessories (19%). SMBs will find opportunity both within popular ecommerce marketplaces and their own online storefronts, as 71% of consumers expect to shop Amazon's Prime Day deals, 49% Walmart's Deals for Days, 36% Target's Deal Days and 17% seeking deals from SMBs' online stores directly.

Shipping Mishaps are on the Rise

With so much at stake, it might come as a surprise that shipping mishaps continue to be a source of frustration for merchants and consumers alike. Overall, 60% of SMBs encountered shipping mishaps that required them to file a claim⁵. Of those, 85% of businesses experienced increases in shipping issues during the pandemic. Even more pointedly, nearly two thirds (63%) experienced lost or damaged packages, and nearly a half (48%) experienced an increase in theft after delivery.

Meanwhile, consumers expressed similar frustrations. **Nearly three quarters of all survey respondents (74%) reported lost or damaged packages, 12% reported theft after delivery.**³ Consumers expressed moderate to high levels of frustration with persistent cases of:



Porch piracy (55%)



Wrong merchandise deliveries (54%)



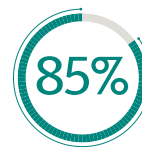
Lost packages (52%)



Damaged packages (49%)



Delayed packages (45%)



of businesses experienced increases in shipping issues during the pandemic



experienced lost or damaged package



experienced an increase in theft after delivery³

Pacific East Aquaculture | Case Study

One of the biggest challenges for SMBs is handling the shipment of high-value, time or temperature sensitive goods with little to no margin for error.

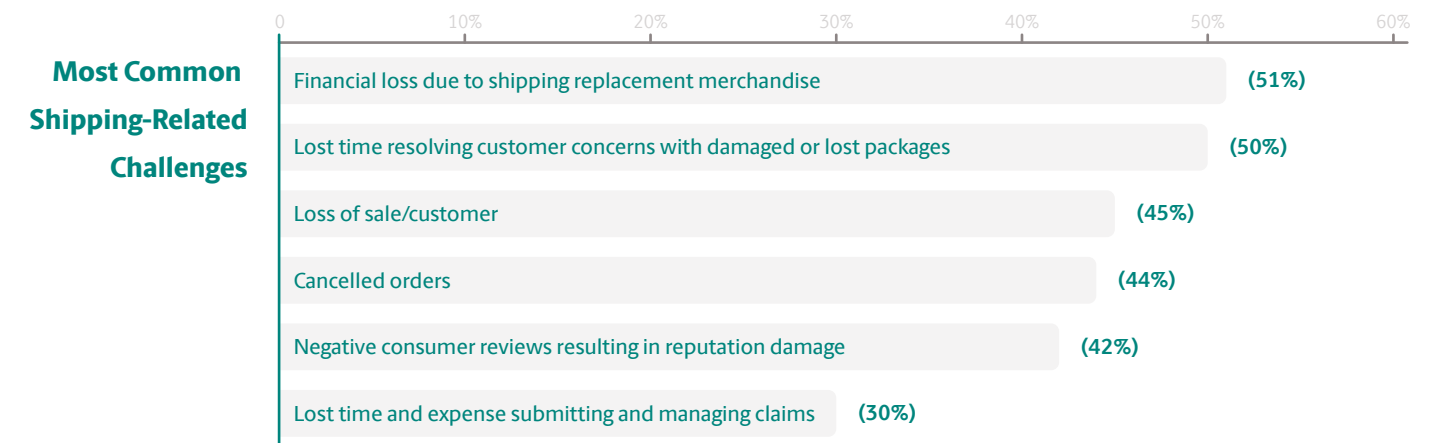
Pacific East Aquaculture, the largest indoor coral farm and reef livestock in the U.S., knows this challenge well. How do you ship coral, an endangered species that costs thousands of dollars and can only live out of its environment for 36-48 hours? In these scenarios, delayed or lost shipments can literally mean a matter of life or death and serious business impacts.

To provide peace of mind for their customers, Pacific East Aquaculture tapped UPS and UPS Capital Insurance Agency, Inc. to provide fuller visibility into shipments, improved package tracking and ensure protection for potential mishaps. UPS ships the coral overnight and UPS Capital puts an insurance policy in place to cover the unexpected. The policy covers the firm up to the full retail value of the goods if a loss occurs.

“Real insurance through UPS Capital is a big thing,” Pacific East Aquaculture co-founder Rachel Terzich said. “We went from a jury-rigged situation to a very mapped-out business situation.”

Barriers to Delivering Best-in-Class Experiences as an SMB⁵

The survey showed that SMBs encounter barriers to providing best-in-class shipping experiences for their customers. Four out of five SMBs (81%) say they are adversely impacted by shipping-related challenges. **The most common impact cited was financial loss due to re-shipping, followed by the need to spend extra time with customers to solve issues.**



The claims experience itself can also be problematic for SMBs and their consumers. SMBs report consumers' biggest complaints center around delays caused by re-orders (55%), package damage or non-receipt (53%), adverse impacts to their life events, like weddings, birthdays and vacations (42%), and the process of asking customers for documentation (28%).

On average, SMBs spend 72 minutes processing a single claim. The average time companies wait to get paid for claims is 18 days, and 45% of SMBs say it can take anywhere from 11 to more than 90 days to receive reimbursement.

When shipping mishaps happen, SMBs bear the brunt of the claims pain. The most frustrating issues are lengthy process, having to prove the carrier's fault and multiple follow-ups.



The Evalueserve survey showed that, despite the challenges involved, SMBs are aware of the importance of quick replacement or refunding of lost or damaged merchandise. Two thirds of all SMBs said they would send replacement merchandise to satisfy a customer regardless of whether they had shipping insurance in place to cover their loss. But floating the cost to reship and/or refund can be a painful proposition. Still, many SMBs understand how important it is to correct shipping issues in a decisive manner to avoid a hit to their reputation.

Understanding Your Options: Carrier Liability vs. Insurance⁵

If something goes wrong with a shipment, what choices do SMBs have for covering their losses and quickly making their customer whole?

Shipping insurance provides a low-risk, high-reward option for SMBs looking to speed customer response times, while protecting their bottom line from financial loss.

Unsurprisingly, many SMBs are unaware of this option since it has been largely inaccessible to them until recently. Legacy offerings have focused on high-volume shippers and large enterprises, requiring annual policies which rarely suit the needs of SMBs. This has resulted in SMBs defaulting to carrier liability coverage, which may not meet the full spectrum of their needs.



use carrier declared value offered through their carrier



use insurance from shipping, e-commerce or marketplace platforms



use customized insurance from a 3rd party

The Evalueserve survey showed SMBs aren't fully aware of the value insurance can provide. Asked to evaluate a series of key insurance benefits, fewer than 40% were aware of the full breadth, and 11% weren't familiar with a single benefit on the list. While shipping insurance isn't top of mind to them, over two-thirds of SMBs ranked each benefit high or very high. Top benefits SMBs favored include the following: good customer support (78%), full refund almost every time (76%), fast refunds within 4-7 days (74%), repayment for expedited shipping costs (73%), file claims and see status on platform (73%), little or no paperwork needed (70%), porch piracy coverage (68%).

The survey also revealed that SMBs support shipping fees as a means to protect key orders from loss, theft or damage. A total of 94% of SMBs say they would be willing to pay a 1% fee for shipping insurance that has better coverage and a higher claims approval rate, with payment made in 4-7 days.

Overall, over 70% of SMBs believe that insurance can enable them to provide good customer support, with full and fast refunds and repayment for expedited shipping costs.

Top shipping insurance benefits favored by SMBs



Good customer support (78%)



Full refund almost every time (76%)



Fast refunds within 4-7 days (74%)



Repayment for expedited shipping costs (73%)



File claims and see status on platform (73%)



Little or no paperwork needed (70%)



Porch piracy coverage (68%)

Size Matters: Micro-SMBs Carry Bigger Burden in the Shipping Process⁵

Shipping issues affect companies of all sizes, but they're a bigger problem for small businesses. **Essentially, the smaller the business the greater the impact.** While 85% of SMBs reported an increase in shipping issues over the past year, companies classified as micro-SMBs (with revenues under \$500,000) were more impacted by damaged, lost and stolen shipments. A total of 84% said their business had been adversely impacted by package theft, loss or damage versus 81% of SMBs overall.



84% of micro-SMBs said their business had been adversely impacted by package theft, loss or damage versus 81% of SMBs overall.

This is difficult for micro-SMBs because they're stretched thin, having to typically play multiple roles in their business. Nearly two thirds (61%) are regularly handling customer inquiries surrounding order status, 46% are regularly handling customer service, and 44% are directly handling claims processes when shipping mishaps happen. This takes time away from growing their business.

Porch piracy is also a key issue for micro-SMBs.



Over four fifths (84%) of micro-SMBs ship half or more packages to residential locations.



Nearly a half (47%) reported an uptick in porch piracy since the start of the pandemic.



And 57% of micro-SMBs deem their frustration levels in dealing with claims denied due to porch piracy as “high” or “very high.”

This is threatening their ability to provide the high level of customer service they need to be successful.

While they stand to benefit most from the improved customer experience shipping insurance can provide, micro-SMBs are less likely to tap into its features. **Overall, SMBs shipping a higher volume of packages per year tend to use more customized third-party insurance than those shipping fewer, but they are making decisions based on the types of products they are shipping and their respective values as well.** When deciding to purchase coverage based on order value, over four fifths (85%) of micro-SMBs do so for packages between \$50-\$200 in value.

“ ”

We've only gotten a few orders damaged but it often becomes a huge problem for us because it's handmade furniture that clients have to send back, and we have to repair. We don't send much to far-away destinations because of this.

— Evalueserve Survey Respondent

Partners Play a Critical Role in Delivering Better Shipping Experiences

While SMBs setting up virtual storefronts may struggle to get shipments right, they're not alone in the fight. E-commerce partners can play key roles helping SMBs deliver the shipping experience consumers have come to expect. And the research shows they should – **shipping mishaps present reputational challenges for both SMBs and their partners**. While 38% of consumers are likely to blame their vendor for any shipping issues, 21% also find fault with e-commerce marketplaces.³ So, the two sides share the risks, and they can share in the rewards as well.



of consumers are likely to blame their vendor for any shipping issues

BUT



also find fault with e-commerce marketplaces³

SMBs are primarily using the following systems to ship their goods⁵:

80% Carrier Shipping Systems

55% Established marketplaces like Amazon, eBay and Etsy, and e-commerce shipping platforms like Big Commerce, Magento, Shopify and WooCommerce

31% Third-party shipping ecosystems like Shippo, ShipStation and Stamps.com

In fact, 45% of SMBs use two or more of these systems in their shipping experience.

SMBs prefer to use digital channels to facilitate shipping coverage as well. Of those that protect their goods, the survey showed 49% use carrier, e-commerce or third-party shipping systems to pick which shipments they want to insure, highlighting an opportunity for partners to arm SMBs with affordable and integrated insurance solutions to help them compete.⁵



The Brighter Side of Shipping

E-commerce is booming, and companies of all size are positioning to grab their piece of the market. To be successful, SMBs need to ensure they deliver a seamless shipping experience despite the fact that problems can – and will – occur. When they do, SMBs need to ensure that customers are taken care of quickly. Their businesses depend on it.

Insurance can level the playing field by helping SMBs deliver best-in-class shipping experiences that meet the expectations being set by market leaders, both easily and affordably. SMBs don't have the resources larger retailers do, so they require a low cost of entry, per-package coverage and flexible purchase options. They require insurance solutions that can be purchased online and through their shipping and e-commerce platforms.

InsureShield™ shipping insurance offered through UPS Capital can help arm SMBs and their customers with exceptional shipping experiences. With insurance coverage, SMBs can drive both loyalty and sales while reducing claims pain.

InsureShield coverage can help SMBs:

- Easily protect packages, profits, and reputation, across any carrier
- Reship or refund with confidence, knowing most claims are paid in 4 days or less*
- Integrate rules-based coverage into your customers' workflows with options to set preferences based on commodities, values and more
- Handle claims filing and management right from your platform

For more information, please visit upscapital.com



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Methodology:

The 2021 Post-Shipment Experience Study is based on a March 2021 survey conducted by Evalueserve of 896 U.S. SMBs that experienced package loss, theft or damage claim within the prior year. The Evalueserve survey included online and telephonic interviews across B2C and B2B merchants who use a variety of shipping carriers. For added context, respondents were grouped by the following annual revenue bands: < \$100K; > \$100K to \$500K; > \$500K to \$1M; and > \$1M to \$10M.

This report also includes findings from an online poll on e-commerce consumer sentiment and an online poll on consumer buying behavior conducted by Dynata. The polls each surveyed 1,000 U.S. consumer respondents aged 18+. The April 2021 online poll captured consumer insights regarding online post-purchase experiences, and a June 2021 online poll captured buying behaviors around retail discounting events such as Amazon Prime Day, Target Deal Days and Walmart's Deals for Days.

For more information, please visit upscapital.com

Sources:

- ¹ Calculations are based on 2019 [U.S. census data](#) confirming a population of 256M U.S. adults aged 18+. The Dynata poll conducted in April 2021 shows that 59% of U.S. adults (151M) are spending between \$100 – \$1,000 online with SMBs each year, which equates to up to \$151B in annual sales. Of this \$151B, 37% of this potential sales revenue (\$56B) is at risk from consumers who are not likely to buy from SMBs again if they have a bad experience receiving merchandise. However, 23% of consumers stated they would buy again if offered a refund or replacement quickly, enabling SMBs the opportunity to recapture \$35B in sales.
- ² Calculations are based on 2019 [U.S. census data](#) confirming a population of 256M U.S. adults aged 18+. The Dynata poll conducted in June 2021 shows that 52% of this group (133M) are spending up to \$100 on SMBs during discounting events in the month of June, which equates to up to \$13B in potential sales revenue.
- ³ Figures are based on the results of the consumer poll conducted by Dynata in April 2021.
- ⁴ Figures are based on the results of a consumer buying behavior study conducted by Dynata in June 2021.
- ⁵ Figures are based on the results of the survey conducted by Evalueserve in March 2021.
- * Figures are based on aggregate insurance claim payment data collected by UPS Capital Insurance Agency, Inc. during the period of four consecutive fiscal quarters ended March 31, 2021. Individual results may vary.