



UPS Capital®



2022

The Annual

**State of Shipping Report**

# The Annual State of Shipping Report

Recent digital sales have outpaced those of stores for the first time since early 2021.<sup>1</sup> With more packages continuing to hit the road, businesses and carriers are becoming more cognizant of shipping mishaps in the delivery experience — and for good reason. These incidents range from traditional hiccups, like late, lost, and damaged deliveries, to emerging threats like porch piracy, fraud, and climate-related issues.

Businesses of all sizes are experiencing the effects that increased shipping incidents have on their reputation and customer loyalty but, for small and mid-sized businesses (SMBs), these scenarios can make or break their overall success. *The Annual State of Shipping* report, commissioned by UPS Capital, identified the top challenges and emerging risks merchants and shoppers face in the shipping and delivery experience — and how to stay ahead of them as we enter the holiday season.



As part of this study, 500 merchants and 1,000 online shoppers across the United States were surveyed to better understand shipping-related issues. The research revealed that porch piracy and damaged or lost shipments are the leading threats impacting merchant's businesses.

**Merchants identified the following threats to company success:**



**Porch Piracy Losses**

54%



**Damaged Shipments**

51%



**Lost Shipments**

49%



**Inventory Delays**

37%



**Reverse Logistics**

30%

(Multiple responses allowed)



# Shipping incidents are not only damaging to a merchant's reputation, but also damaging to a business's bottom line.



A whopping **92% of merchants** surveyed reported **costly impacts to their business as a result of lost, stolen, or damaged shipments**, with over half of merchants **losing more than \$50,000** as a result in the last year.<sup>2</sup>



Unfortunately, the impact of shipping-related issues extends beyond hard costs alone. Merchants also see an impact on their business's productivity, from the extra time spent resolving shipping mishaps to hours spent submitting and managing customer claims. Soft costs also add up, with 37% of merchants reporting an increase in negative reviews that adversely affected their business's reputation.

With 61% of shoppers stating they will stop ordering from an SMB after two or three delivery issues, merchants must be prepared to handle the increase in shipping mishaps to maintain customer satisfaction.

## Impacts of shipping-related issues according to merchants:

HARD COSTS	TIME SPENT	SOFT COSTS
Financial loss due to sending a second unit - 50%	Extra time spent with customers resolving their damaged or lost packages and making them whole - 53%	Negative reviews adversely affecting their business's reputation - 37%
Loss of sale/customer - 45%		
Cancelled orders - 34%	Lost time and expense submitting and managing claims - 35%	

# Porch Piracy Is Top of Mind in 2022



Porch piracy is an increasingly common threat to the online shopper experience and to merchant business success this year. According to 50% of merchants, over one-in-ten customer packages are stolen by porch pirates each month.<sup>3</sup> Findings also show that porch piracy becomes an increasingly common occurrence as merchants scale their online sales.<sup>4</sup> With porch piracy on the rise, merchants are feeling the pain of these losses as they're forced to take on the costs of replacing and reshipping stolen merchandise.



**Two-in-five merchants** stated that porch piracy has become more of an issue for their business in 2022 than in previous years.



**34% of merchants** proclaimed porch piracy has become one of the largest issues facing retailers.



**Over a third (35%)** of merchants stated that stolen packages are significantly impacting their business's profitability.



**Almost a third (32%)** of merchants reported financial losses of more than \$50,000 due to porch piracy in the last year.



**Nearly three-in-four (74%)** merchants reported increasing their budgets for porch piracy losses.



**Nearly three-in-five (56%)** merchants believe that acts of porch piracy should be taken as seriously as theft in brick-and-mortar stores.

# Fraud Is an Emerging Concern for Merchants



While porch piracy remains the reigning threat of 2022, two emerging threats that significantly impact merchants' profitability and the shopper experience are fraud and climate change.



**37% of merchants reported credit card fraud is a growing risk to their business.**



**31% of merchants reported that return shipment fraud is significantly impacting their profitability – from missing merchandise to altered labels and return addresses.**

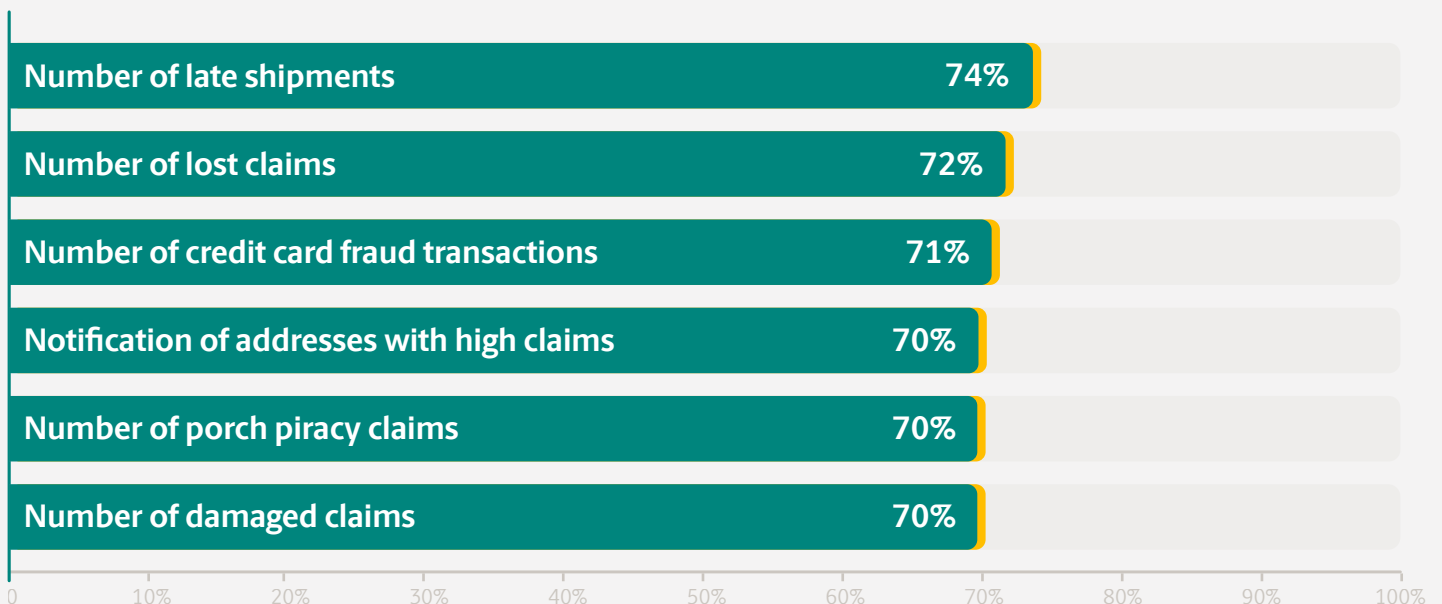


**27% of merchants stated that false reports of stolen packages are a growing issue.**

False reports of stolen packages may lead merchants to believe that such acts should be considered fraud and prosecuted more seriously.<sup>5</sup> And this concern is warranted — 25% of consumer respondents admitted to knowing someone who has falsely reported packages as stolen in the past.

To mitigate the increasing risk of fraud, many merchants are interested in having greater visibility into shipping-related issues, including **insight into credit card fraud transactions (71%)** and **notification of addresses with high claims (70%)**.

## Shipping-related issues that are important for businesses to have visibility into:




(Multiple responses allowed)

# Extreme Weather Events Call for Increased Protection



Extreme and unpredictable weather events caused by climate change have also proven to be an increasing threat to the shipping experience.

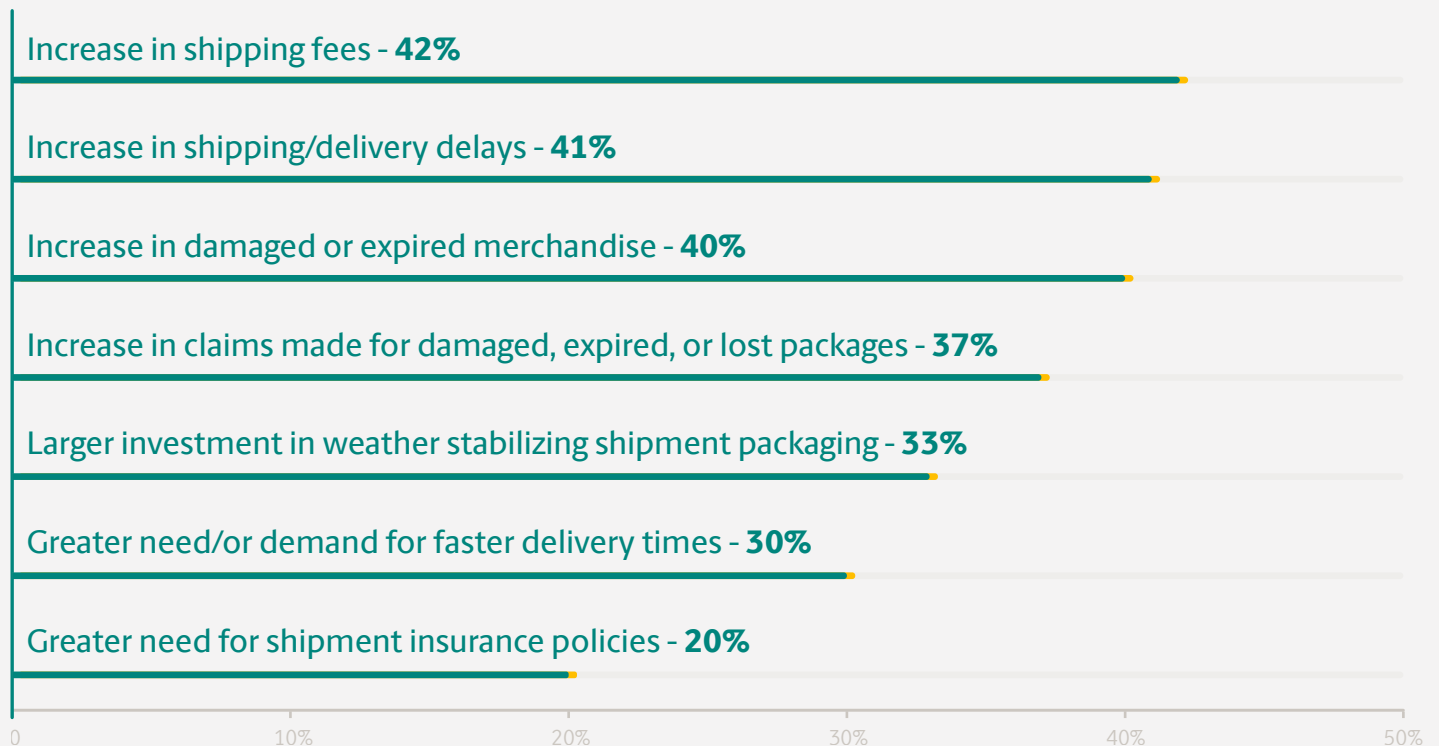


**75%**

**75% of merchants experienced an increase in damaged, expired, or lost packages due to climate change over the last 12 months.**

Nearly all merchants (92%) anticipate an increase in shipping and delivery issues due to climate change over the next five years. Shoppers also see the impact that extreme or unpredictable weather is having on their online purchases, with 28% reporting an increase in damaged, spoiled, or lost packages this year. As a result, 77% of shoppers now believe that extra steps are needed to protect their orders from weather issues.

## Shipping and delivery issues merchants forecast over the next 5 years due to climate change:



(Multiple responses allowed)



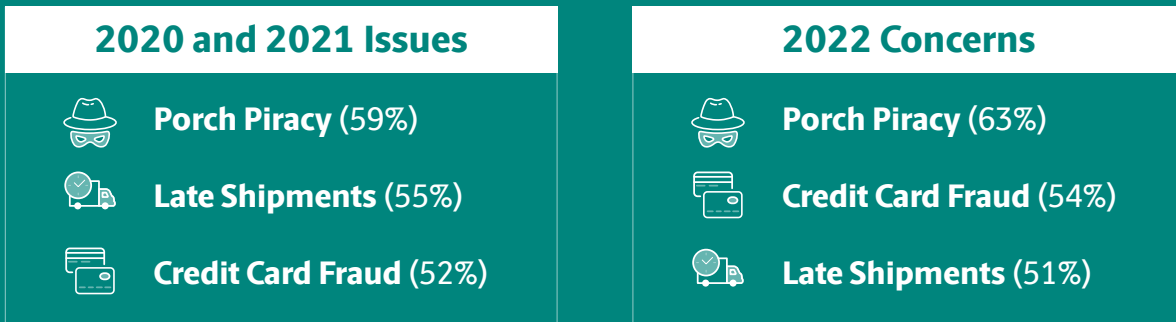
# Preparing for the Holiday Season



With the holiday season fast approaching – and incidences of extreme winter weather conditions converging with increased sales traffic – it’s important for merchants to be prepared for potential delivery challenges. Informed by shipping issues they’ve experienced in past holiday seasons, merchants reported their top concerns heading into this new season.

## RANKED

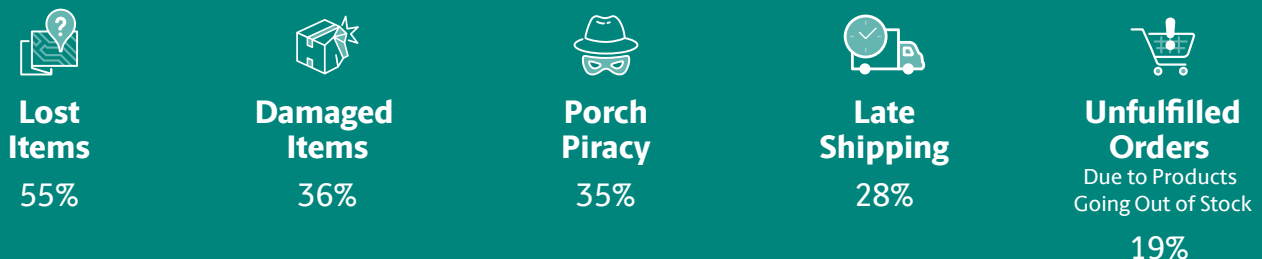
Issues merchants experienced the most in 2020 and 2021 peak seasons, compared to concerns for 2022 peak season



**While the top three from the last two years inform 2022 concerns, merchants expressed rising concerns of credit card fraud.**

Figures represent aggregated rating of top three most cited issues.

## Top issues amongst shoppers who experienced delivery issues with online orders over the last two holiday seasons:



Figures represent responses from the 66% of consumers who experienced delivery issues.

The research found that 44% of shoppers experienced porch piracy last holiday season, and households with children were twice as likely to experience porch piracy compared to childless households.<sup>6</sup> With this in mind, 38% of shoppers reported they are less likely to shop online during the 2022 holiday season due to ongoing delivery issues, such as lost, stolen, damaged, or delayed packages. This change in consumer online shopping behavior should be a concern for eCommerce merchants, which rely on holiday shopping to boost sales and meet revenue goals.

# Meeting Customer Experience Expectations



To improve the shopping experience, merchants must become intimately familiar with shoppers' expectations for delivery issue resolution. **When experiencing a lost, stolen, or damaged package, for example, the majority of shoppers expect to receive a replacement (84%) or a refund (80%) within a week of notifying the merchant.**



*Two-thirds (66%) of merchants, however, reported that it may take more than a week for the package carrier or insurance company to resolve a claim, forcing merchants to cover replacement, reshipment, and refunds out of pocket until they receive claim resolution.*

With this in mind, merchants should anticipate spending additional time with customers when resolving issues of damaged or lost packages, especially during peak season when delivery threats and pressured timelines may create heightened tension. By budgeting extra time to file claims and thoroughly educating staff on the claims process, merchants can improve claim procedures and focus on the customer experience.

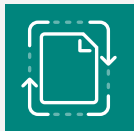


# Claims Process Pain Points



It can't be ignored that with new, emerging threats and continued customer demands for swift resolution, there is a pressing need to streamline the claims process for merchants. According to 53% of merchants, they often spend more than an hour on a single claim — time that can add up quickly in their peak season.

## **Top Five Issues Merchants Typically Experience During the Claims Process:**



**Extensive paperwork required – 74%**



**Lengthy claims process (from filing to resolution) – 73%**



**Claims not paid in full (do not cover full invoice value and shipping cost) – 66%**



**Multiple follow-ups required to get claim approved – 65%**



**Claims denied due to porch piracy (theft after delivery) – 59%**

*These issues remained consistent with [UPS Capital's 2021 findings](#), indicating that the claims process has not seen significant improvements in the last year.*

# Digital Transformation in Claims and Shipping Insurance

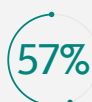


Fortunately, there is hope for improvement. Through new and improved features, there is an opportunity to streamline the claims process for everyone involved. By moving to a digital experience, for example, merchants can eliminate extensive claim paperwork and track the progress of their claims in an easy-to-use dashboard, instead of shuffling files and conducting multiple follow ups. According to our research, merchants also expressed a desire for improved shipping insurance features, including full claim refunds and payments for the expedited reshipment costs of lost items.

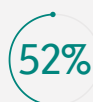
## Most Attractive Shipping Insurance Features to Merchants:



**Little or no paperwork needed during the claims process**



**Full claim refund almost every time**



**Fast claim refunds (4-7 days)**



**Payment for expedited reshipment costs of lost items**



**Ability to file and see claim status on the online shipping platform**

*In reference to UPS Capital's 2021 findings, in the last year, good customer service dropped from being the most attractive feature to being bumped out of the top five, while a desire for little to no claim paperwork rose to being the second most important feature.*

Figures represent aggregated rating of top three most attractive benefits of shipping insurance.

Merchants also see the benefit of a digital claims experience from an end-user experience perspective, with API integrations appealing to their desire for simpler claims processes and the ability to include shipment protection in the checkout cart.

## Merchant Desired Digital Features for Managing Your Shipping Insurance/Claims Experience:



**Offer customer elected insurance in their checkout cart to share the insurance cost with customers**



**Allow customers to select insurance coverage, file claims and upload paperwork right from their company website, via integrated API's from their shipping insurance provider**



**Ability to submit and manage claims through an online portal, digitizing the claim process from start to finish**

Merchants work hard to build a strong customer base and maintain their reputation but, occasionally, factors outside of their control can cause shipping setbacks that affect their brand. As merchants rely more heavily on eCommerce, the need to protect against shipping risks is increasingly necessary.



# InsureShield® Shipping Insurance

by UPS Capital Insurance Agency, Inc.

With InsureShield® shipping insurance from UPS Capital, businesses can avoid the drag of slow claims on their finances and protect their bottom line — all while providing a better post-purchase experience. InsureShield policies offer comprehensive coverage and a variety of solutions for large and small merchants alike. And with consumer-elected options, including a Shopify® app, merchants can customize their shipping experience. With proper resources like shipping insurance and a deep understanding of present and emerging risks, merchants can get the support they need during peak seasons and beyond.

For more information, please visit [upscapital.com](https://upscapital.com)

Insurance coverage is underwritten by an authorized insurance company and issued through licensed insurance producers, including UPS Capital Insurance Agency, Inc. ("UPSCIA"), a subsidiary of UPS Capital Corporation. The insurance company, UPSCIA and its licensed affiliates reserve the right to change or cancel the program at any time. This information does not in any way alter or amend the terms, limitations or exclusions of the applicable insurance policy or program. Insurance coverage is not available in all jurisdictions.

© 2022 United Parcel Service of America, Inc. UPS, the UPS brandmark, UPS Capital, InsureShield, and the color brown are trademarks of United Parcel Service of America, Inc. All rights reserved.





## Methodology:

The 2022 Annual State of Shipping Study is based on an August 2022 survey conducted by Dynata of 500 U.S. SMBs owners and decision makers who leverage eCommerce platforms and marketplaces as part of their business strategy with revenue from \$750K - <\$100M. This report also includes findings from Dynata of 1,000 U.S. consumers aged 18+.

### Sources:

1 <https://www.digitalcommerce360.com/article/quarterly-online-sales/>

2 SMB Survey: In the last year, how much money has your company lost as a result of lost, stolen or damaged shipments?

Lost less than \$10,000	16%
Lost \$10,001 – \$20,000	15%
Lost \$20,001 – \$50,000	17%
Lost \$50,001 – \$100,000	23%
Lost \$100,001 – \$250,000	18%
Lost more than \$250,000	11%

3 SMB Survey: On average, how often does your company experience porch piracy (theft after delivery) each month?

Less than 2% of packages	18%
2 – 5% of packages	16%
6 – 10% of packages	16%
11 – 15% of packages	15%
16 – 20% of packages	14%
21 – 25% of packages	11%
26 – 30% of packages	5%
30% of packages or more	5%

4 SMB Survey: On average, how often does your company experience porch piracy (theft after delivery) each month?

	Revenue of \$750K – <\$1M	Revenue of \$1 – <\$2M	Revenue of \$2 – <\$5M	Revenue of \$5 – <\$10M	Revenue of \$10 – <\$25M	Revenue of \$25 – <\$50M	Revenue of \$50 – <\$100M
Less than 2% of packages	34%	17%	21%	16%	9%	21%	15.3%
2 – 5% of packages	12%	28%	23%	16%	17%	9.5%	13%
6 – 10% of packages	31%	22%	9%	18%	20%	11%	10%
11 – 15% of packages	9%	12%	28%	21%	11%	14%	17%
16 – 20% of packages	3%	15%	9%	13%	28%	13%	14.3%
21 – 25% of packages	11%	1.5%	6%	11%	11%	15%	12.3%
26 – 30% of packages	0%	1.5%	2%	5%	2%	11%	6%
30% of packages or more	0%	3%	2%	0%	2%	5.5%	12%

5 SMB Survey: Please select the statements that you strongly agree with.

Acts of porch piracy should be taken as seriously as theft in brick-and-mortar stores	56%
Porch piracy has become more of an issue for my business in 2022 than in any previous years	40%
Credit card fraud is a growing issue that is impacting my business	37%
Porch piracy is significantly impacting my business' profitability	35%
Porch piracy has become one of the largest issues facing retailers	34%
Return shipment fraud (returns with missing merchandise, altered labels, or return addresses), is significantly impacting my business' profitability	31%
False reports of stolen packages are a growing issue	27%
False reports of stolen packages should be considered as fraud and persecuted more seriously	26%
False reports of stolen packages have increased in 2022	20%

6 Consumer Survey: Reflecting on the 2021 holiday shopping season (from September-December 2021), how many of your packages were stolen off your porch or missing once they were claimed to be delivered? Select the number of packages stolen.

	Household with children 25 or younger	Household without children 25 or younger
Total percentage of respondents experiencing at least one porch piracy incident	64%	33%