



InsureShield®
Shipping Insurance

by UPS Capital Insurance Agency, Inc.




2024 MID-YEAR GUIDE to **Shipping** **Excellence**



The eCommerce world is undergoing a transformative shift, with global sales set to break new records and cross the impressive \$6 trillion threshold in 2024.¹

In fact, UPS Capital published a **report** earlier this year revealing that **over half of surveyed merchants expect their shipping volume to surge by 30% this year alone.**²

This explosive growth is a testament to the ingenuity and flexibility of merchants who have embraced the digital revolution. However, as the number of packages traversing the globe surges, so do the risks. The implications are clear: businesses that fail to adapt and fortify their supply chains risk being left behind in the wake of this eCommerce revolution.



So, how can merchants navigate this new playing field to emerge victorious?

In this whitepaper, we'll explore the key shipping-related challenges merchants face as business soars following a survey of 500 eCommerce merchants paired with 1,000 consumer responses. We'll delve into the impact of external factors, the perils of fraud and theft, the intricacies of international shipping, and the growing importance of sustainability. Along the way, we'll provide actionable insights and recommendations to help businesses not only survive but thrive in this new era of eCommerce.



Prepared Yet Pensive: Today's Emerging Shipping Challenges

Most merchants surveyed (92%) report their company would be prepared if their shipping volume were to increase by 30% this year. However, growing pains remain inevitable, with merchants reporting shipping costs (56%), meeting delivery timelines (47%), and inventory management (46%) as the greatest challenges their company faces in supporting a shipping surge.

For apparel merchants, the plot thickens. A majority (57%) of those surveyed cite shipping costs as their greatest challenge in supporting increased shipping volume. The warehouse, once a reliable ally, now reveals its limitations. Physical storage space (50%), quality control assurance capacity (47%), and inventory stock level gaps (43%) have become thorns in many apparel merchants' sides.

As if these internal challenges weren't enough, external forces threaten to derail even the most well-laid plans. Respondents cited supply chain disruptions (48%), inventory management (39%), and labor shortages (38%) as posing the greatest threats to their business.

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Threads of Trouble: Apparel Merchants Navigate Shipping Challenges

Apparel merchants surveyed cite shipping costs, inventory management, scaling order fulfillment, and meeting delivery timelines as their most significant challenges with the rise of shipping.³

50% of apparel merchants report physical storage space as their primary warehouse constraint as they ship more packages.

Additionally, these merchants identify supply chain disruptions, inventory management, and changing consumer preferences as macro trends posing the greatest challenges.⁴

The Delivery Demand Dilemma

42% of surveyed merchants report it takes two or more days to have an online order ready to ship.

In contrast, 46% of surveyed consumers expect to receive their online orders within three days, excluding purchases from big-box retailers like Amazon, Walmart, and Target.

Despite this, merchants surveyed consider faster delivery demands (33%) to be a lesser threat, with rising shipping costs (52%) and shipping issues like damaged (40%) or lost (37%) items surfacing as the most significant challenges to their success.



Navigating the Unpredictable: External Risks Threatening eCommerce Success

In the fast-paced world of eCommerce, it's easy for businesses to become consumed by internal challenges. However, overlooking the potential impact of external factors can be a costly mistake. As the number of packages in transit continues to grow, so do the risks that threaten to disrupt even the most well-oiled operations.

Nearly all (96%) merchants surveyed report rising shipping costs, shipping issues, fraud, and consumer demands as threats to their company's success. In fact, 34% state that managing delivery issues (e.g., lost, damaged, late, or stolen shipments) pose the greatest challenge to their company as shipping volumes increase.

Unboxed: Shipping Issues Threatening Merchant Success

52%

Rising shipping costs

37%

Delivery fraud

40%

Damaged items

33%

Faster delivery demands

37%

Lost items

31%

Scaling operations to meet demand

27%

Porch piracy

The consequences of failing to address these external risks can be severe. Damaged or lost packages can lead to dissatisfied customers and costly replacements. Meanwhile, delivery fraud and porch piracy can erode consumer trust and tarnish a brand's reputation. And as consumer expectations for faster delivery continue to grow, businesses that fail to meet this expectation risk being left behind.



Diminishing Damage

Package damage is a growing concern for both merchants and consumers alike. Nearly 1-in-4 (24%) consumers surveyed said receiving damaged items is the most common delivery issue they experience. For merchants, the threat of package damage ranks as their second top shipping concern, next to cost.

The rise of extreme weather events has only compounded this issue. Wildfires, floods, hurricanes, and heat waves can all take a toll on packages in transit, leaving merchants to bear the brunt of the consequences. **In fact, surveyed merchants report packages damaged during delivery (46%) and post-delivery (43%) as common weather-related shipping issues that pose the greatest threats to their business.**



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City Spotlight: Chicago

Chicago experiences the most weather-related shipping issues, according to surveyed merchants.⁵

Fighting Fraud & Countering Counterfeit

In the [2024 Future of Shipping report](#), UPS Capital found that 53% of merchants feel return shipment fraud is significantly impacting their business's profitability.² This isn't surprising given almost half (49%) of surveyed merchants suspect that more than 20% of returns are fraudulent. Consumers echo this notion, with 32% of those surveyed believing returns fraud is on the rise.

The Technology Gap in Fraud Detection

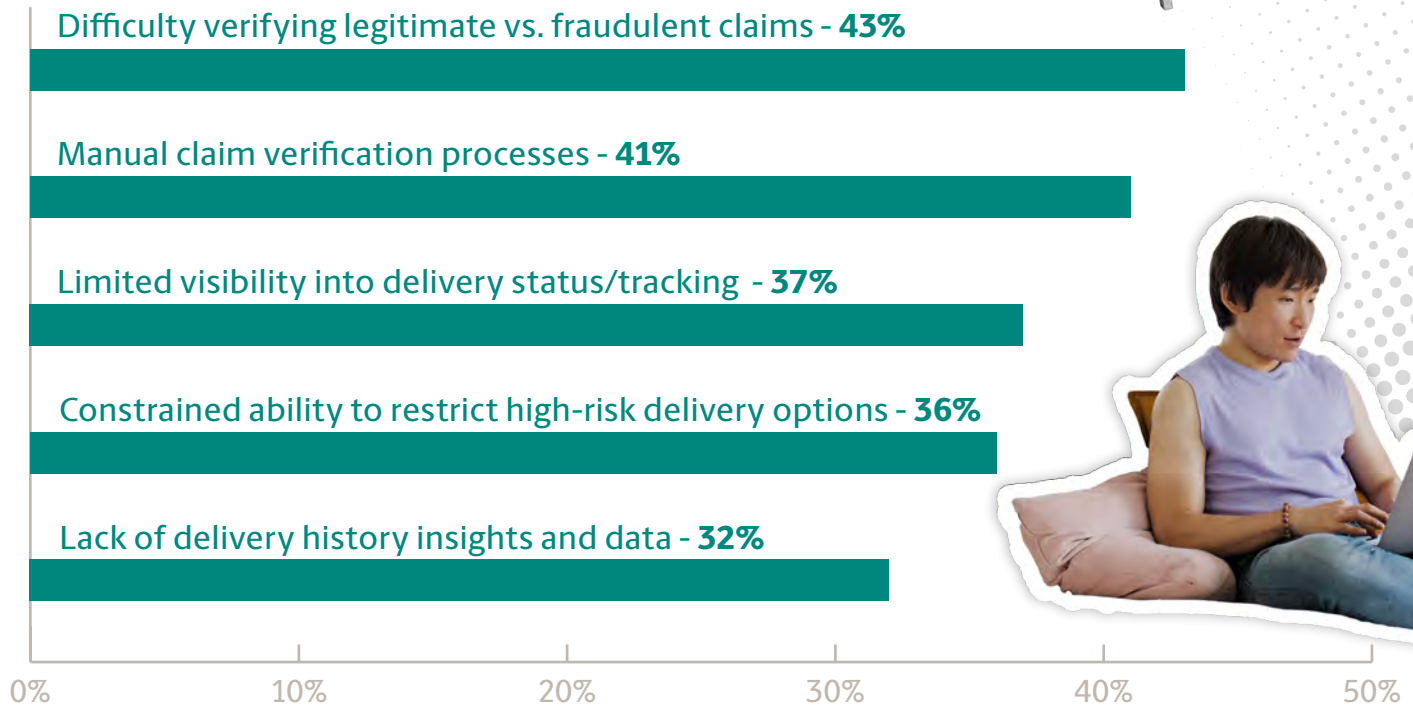
Merchants often struggle with identifying and preventing fraudulent activity due to a lack of sophisticated fraud detection systems. Over 2-in-5 (41%) merchants surveyed said they have difficulty mitigating fraud risks because of time-consuming manual verification processes.

Moreover, merchants surveyed report that they struggle to fight fraud due to verification difficulties, limited delivery visibility, and lack of data. Others surveyed say exploitation of lenient return policies (24%) and pressure to minimize customer dissatisfaction (12%) contribute to this challenge.



The Fraud Fighters' Hurdles

Operational Issues Prohibiting Fraud Risk Mitigation



The Counterfeit Conundrum

Counterfeit goods are a growing problem. A notable 41% of consumer respondents suspect that counterfeit is trending upwards, with 23% reporting they've received a counterfeit item instead of the authentic product they purchased online. This experience appears to be most common amongst Gen Z shoppers, with 43% of respondents in this demographic stating that they have personally experienced counterfeit fraud.



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City Spotlight: Los Angeles

Los Angeles experiences the most order/delivery fraud and package theft, according to surveyed merchants.⁶

Thwarting Theft (a.k.a. Porch Piracy)

A noteworthy 61% of surveyed consumers believe that porch piracy is becoming more prevalent. Yet only 12% of those same consumers report porch piracy being a delivery issue they commonly experience.

Nevertheless, with a quarter of surveyed merchants reporting porch piracy as a main threat to their company's success, and the eCommerce landscape's continued growth, merchants are looking for proactive ways to better combat this peril.

Imagine having a crystal ball for deliveries. In a way, UPS Capital's **DeliveryDefense™** Address Confidence tool does just that. Using advanced AI and machine learning technology to analyze over 11 billion delivery touchpoints and historic shipping data, the DeliveryDefense model can predict the likelihood a package will arrive safely to its destination. This enhanced visibility enables merchants to identify potential problems and take proactive measures to help mitigate risk, such as adding shipping insurance, requiring mandatory signatures, or redirecting shipments to secure UPS Access Point® locations.

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Secure Shipping Tip

Learn how **UPS Access Points®** can be easily integrated into the merchant's checkout process, providing a smooth and hassle-free experience for customers.

Delivery Concerns Drive Consumer Choices

Surveyed consumers are most concerned about potential shipping and delivery risks when ordering

55%
Electronics



38%
Jewelry/Luxury Items



34%
Perishables



Unsurprisingly, desire for added security—or protection against porch piracy, weather, and lost or damaged items—is the biggest driver for consumers to use an alternative delivery location, such as a UPS Access Point, delivery locker, or a retailer's in-store pick up.⁷



Navigating the Maze of Loss Prevention: Opportunities and Barriers

Nearly all merchants surveyed (99%) report having a method in place to protect against financial losses from shipping theft, damage, losses, or fraud, with many having multiple processes in place.

However, not all loss prevention methods are created equal.

The most popular methods amongst surveyed merchants are to self-insure (47%) by setting aside funds to cover costs when shipping mishaps occur or relying on carrier liability/ carrier protection (46%). However, these strategies may not provide the comprehensive coverage that businesses need to fully protect themselves.

One of the main barriers of relying on carrier liability is that it does not offer the same level of protection as shipping insurance. Carrier liability often excludes coverage for porch piracy, concealed damage, and expedited reshipment costs. In the event of a loss or damage claim, merchants may find themselves facing unexpected out-of-pocket expenses.

Surveyed merchants who use third-party shipping insurance providers (44%) can gain peace of mind knowing that they have more comprehensive coverage when shipping and delivery issues occur. Depending on the provider, this may include protection against porch piracy and concealed damage, flexible claims with up to 9 months post-delivery filing, expedited reshipment, and coverage up to the full invoice value of goods plus shipping.



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Merchants Wise Up to Loss Prevention

Over the last year, the percentage of surveyed merchants who don't take any insurance precautions has decreased from 13% to 1%.⁸

Embracing the Pick-Up Point

As merchants seek ways to reduce the risk of shipping issues like porch piracy, damage, or loss, alternative delivery locations are gaining popularity among consumers. Over 4-in-5 (82%) consumers surveyed are open to using alternative delivery locations, which includes picking deliveries up from a UPS Access Point®, delivery locker, or a retailer's store location.

Alternative Delivery Appeal

Top Reasons Consumers Use Alternative Delivery Locations



49%

Security

Protection against porch piracy, weather, and lost or damaged items



39%

Convenience

Being accessible on their daily route



33%

Monetary Value

Precautions when the item is expensive



31%

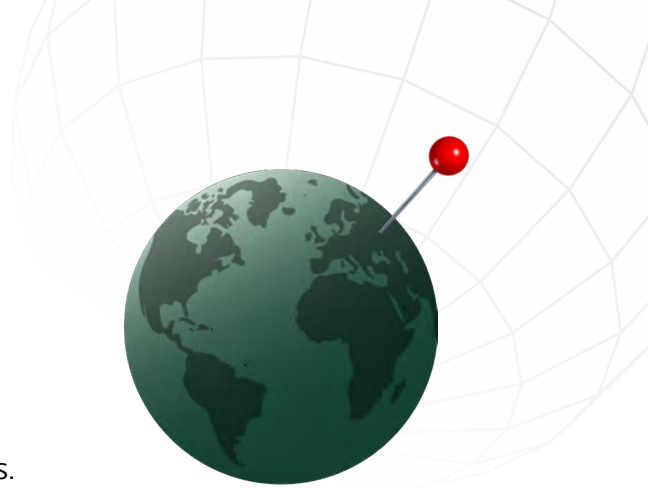
Speed

Using an alternative location means they can get their package faster

By offering alternative delivery options, merchants can enhance the customer experience, build trust, and potentially reduce the risk of shipping issues. Catering to consumer preferences can also help merchants differentiate themselves in an increasingly competitive landscape.

Going Global

The rise of eCommerce has shown it's a small world after all. Consumers can now purchase products from anywhere in the world with just a few clicks, and merchants can expand their reach to new markets and customer bases. However, with this globalization comes a new set of challenges and considerations.



Common International Shipping Issues for Merchants

50% | Delivery delays

34% | Inaccurate tracking

42% | Import/export policy changes

34% | Unanticipated costs

37% | Damages

22% | Theft

36% | Regulatory paperwork

14% | Language Barriers



The Intricacies of International Shipping

Whether by ship, airplane, train, or truck, nearly half (45%) of merchants surveyed currently ship more than 20% of their orders internationally, with 82% planning to expand their international customer base over the next two years.

Consumers also welcome this borderless shopping style, as 73% of surveyed consumers make online purchases shipped from other countries.

International shipping shares many common challenges with domestic shipping, such as the risk of theft, damage, or fraud. However, there are additional complexities and risks involved in cross-border transportation.



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Merchant Insight

73% of surveyed merchants report their business has been impacted by international shipping mishaps (delays, damage, or theft) due to congested overseas ports in the last 12 months.

Similarly, consumers are experiencing international shipping issues, with late/lengthy delivery and visibility being the greatest challenges.



International Shipping Struggles: Top Consumer Pain Points



42%

**Long delivery
timelines**



41%

Late shipments



26%

**Unable to track
shipments**

To mitigate these threats, merchants should expand shipping insurance beyond the U.S. Partnering with a reliable provider that offers comprehensive international coverage can help navigate cross-border complexities, safeguarding bottom lines and reputations worldwide.



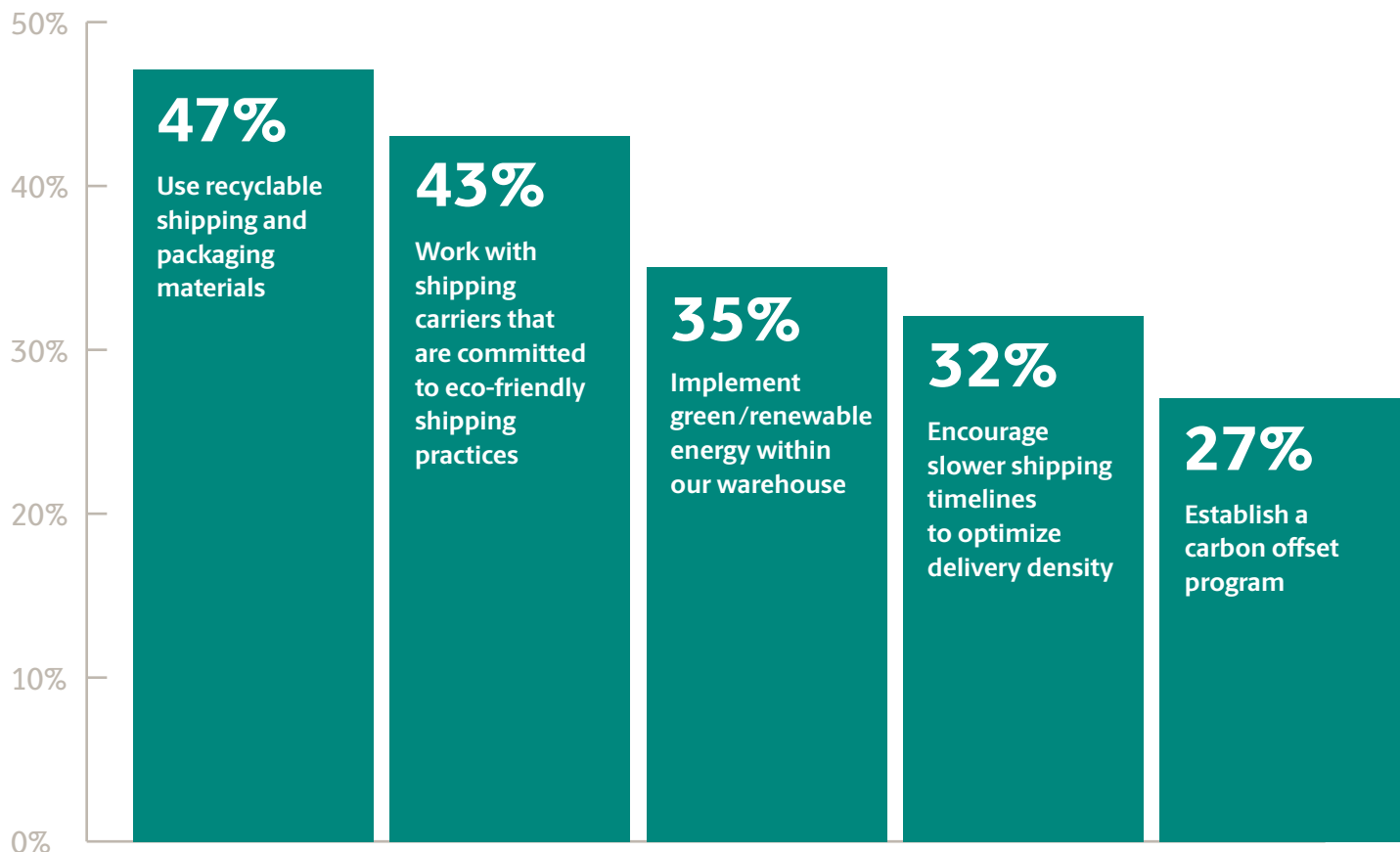


Spotlighting Sustainability

As the eCommerce industry continues to grow, so too does its environmental impact. These issues stem from factors like transportation carbon emissions, packaging waste, reverse logistics, and more—making sustainability imperative.

Most merchants surveyed (81%) have plans to expand their sustainability practices over the next two years. Additionally, 90% state that their company employs sustainable practices to offset environmental impacts of eCommerce shipping.

How Merchants Offset Environmental Impacts of Shipping



Consumers are increasingly prioritizing sustainability when making purchasing decisions, with 64% of those surveyed citing they're more likely to order from a brand that incorporates eco-friendly practices into their shipping operations. This preference is particularly strong among younger generations, including Gen Z and Millennials.⁹

When asked who they believe is most responsible for making the shipping and delivery of online orders more sustainable, surveyed consumers believe retailers/marketplaces and carriers hold this responsibility.¹⁰

However, merchants face unique challenges in implementing sustainable shipping practices, including balancing optimization with speed and affordability. To help, merchants can begin taking small steps like using recyclable shipping and packaging materials or working with shipping carriers that are committed to eco-friendly shipping practices.

Merchants' Greatest Challenge in Implementing Sustainable Shipping





Conclusion

The world of eCommerce is at a crossroads. As global shipping volumes continue to surge, merchants find themselves facing a host of new challenges and opportunities. From navigating the complexities of international shipping to addressing the growing importance of sustainability, businesses must adapt and evolve to stay ahead of the curve.

At UPS Capital, we understand the critical role that shipping plays in the success of eCommerce businesses. That's why we offer a range of solutions designed to help merchants mitigate risks, streamline operations, and protect their bottom line. From comprehensive shipping insurance to cutting-edge technology like DeliveryDefense, we provide the tools and expertise businesses need to thrive in an increasingly complex and competitive landscape.

As we look to the future, it's clear that the eCommerce industry will continue to evolve at a rapid pace. By partnering with a trusted provider like UPS Capital, merchants can navigate these changes with confidence and seize the opportunities that lie ahead. Together, we can build a more resilient, sustainable, and successful eCommerce ecosystem for years to come.

For more information, please visit insureshield.com

With InsureShield® shipping insurance from UPS Capital Insurance Agency, Inc., businesses can avoid the financial strain caused by slow claims processing 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 businesses alike. Equipped with proper resources like shipping insurance and a deep understanding of present and emerging risks, businesses can get the support they need to reduce the impact of everyday shipping issues.

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Sources:

1. [Worldwide Retail Ecommerce Forecast 2024 by eMarketer](#)
2. [2024 Future of Shipping Report by UPS Capital Insurance Agency, Inc.](#)

3. **What is the greatest challenge your company faces in supporting an increase in shipping volume? Apparel merchants only.**

Shipping costs (materials and delivery)	57%
Inventory management	51%
Scaling order fulfillment	48%
Meeting delivery timelines	48%

4. **Which of the following macro trends pose the greatest challenge to your company in 2024? Apparel merchants only.**

Supply chain disruptions (weather, port delays, trade restrictions)	48%
Inventory management	45%
Changing consumer preferences	44%

5. **In which U.S. cities has your business experienced the greatest amount of weather-related shipping issues? All merchants only.**

Atlanta, GA	10%
Boston, MA	14%
Chicago, IL	29%
Dallas, TX	11%
Detroit, MI	14%
Houston, TX	14%
Los Angeles, CA	26%
Miami, FL	19%
New York, NY	27%
Philadelphia, PA	12%
Phoenix, AZ	5%
San Francisco, CA	15%
Seattle, WA	13%
Washington DC	9%

6. **In which U.S. cities has your business experienced the greatest amount of order/delivery fraud? In which U.S. cities has your business experienced the greatest amount of package theft? All merchants only.**

City	Order/delivery fraud	Package theft
Atlanta, GA	14%	18%
Boston, MA	6%	7%
Chicago, IL	27%	29%
Dallas, TX	12%	15%
Detroit, MI	16%	15%
Houston, TX	14%	14%
Los Angeles, CA	36%	34%
Miami, FL	18%	19%
New York, NY	26%	28%
Philadelphia, PA	9%	12%
Phoenix, AZ	5%	5%
San Francisco, CA	19%	21%
Seattle, WA	6%	6%
Washington DC	9%	11%

7. **What would make you use an alternative delivery location instead of your home or primary delivery address? All consumers.**

Convenience – being accessible on my daily route	39%
Security – protection against porch piracy, weather, lost or damaged items	49%
Monetary value – the item was expensive	33%
Sentimental value – the item was important or irreplaceable regardless of monetary value	19%
Flexibility – having the option to set up preferences depending on the item being shipped and/or timing of shipments	25%
Travel – known absence from home/primary delivery location	22%
Speed – Using an alternative location means I can get my package faster	31%
Rewards – Earn discounts and points by using alternative delivery locations	23%
Positive Experience – If the process was simple, user-friendly and reliable with clear instructions & notifications	20%

8. [2023 SMB Shipping Pulse Check Report by UPS Capital Insurance Agency, Inc.](#)

9. **How likely are you to prioritize ordering from a brand that prioritizes sustainability in their shipping operations, rather than a comparable brand that does not?**

Response	Overall	Millennials	Gen Z
Very likely	24%	32%	31%
Somewhat likely	40%	40%	43%
Somewhat unlikely	14%	13%	16%
Very unlikely	8%	3%	5%
Not sure	14%	12%	5%

11. **Who do you believe should be most responsible for making the shipping and delivery of online orders more sustainable? All consumers.**

Consumers	7%
Retailers or marketplaces	41%
Carriers (i.e., UPS, FedEx, USPS, etc.)	40%
Government	4%
Unsure	9%

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Methodology: The 2024 Mid-Year Guide to Shipping Excellence report is based on a March 2024 survey conducted by Dynata on behalf of UPS Capital of 500 U.S. SMBs owners and decision makers who have a revenue from \$750K – <\$100M and leverages eCommerce platforms and marketplaces to sell and ship physical goods, generating at least a portion of their revenue. This report also includes findings from a survey conducted by Dynata on behalf of UPS Capital of 1,000 U.S. consumers aged 18+ conducted in March 2024.