



InsureShield®
Shipping Insurance

by UPS Capital Insurance Agency, Inc.

Future of Shipping Report

A Path Paved by Innovation
and Personalization





The eCommerce landscape has undergone a remarkable transformation since the first online transaction in 1994. Yet, in recent years, the eCommerce market has seen an unprecedented surge in online shopping, with McKinsey reporting a 35% rise in US sales penetration in 2020 alone. This growth shows no signs of stopping, as experts predict that retail eCommerce sales will increase by more than 10% annually from 2024 to 2027. With more online purchases come more packages on the road, bringing greater potential for errors in the post-purchase journey. Shipping and delivery issues, such as lost, late, damaged, or stolen packages, not only threaten merchants' bottom lines but also endanger positive customer experiences.

In this report, UPS Capital explores how the rapid growth in eCommerce has influenced merchants' approach to shipping, the current state of shipping, and key trends that are shaping the future of the industry. Through a survey of 500 eCommerce merchants, UPS Capital garnered insight into the roles that risk mitigation, technology, and customer experience play into their plans for the future of eCommerce and shipping. These merchant insights are paired with responses from 1,000 consumers who shed light on their eCommerce behaviors and perceptions, informing how merchants can better attract and retain loyal customers.

Today's eCommerce Shipping, Tomorrow's Forecast

Almost all surveyed merchants (99%) reported an increase in their shipping volume over the past two years due to the significant growth of eCommerce. An overwhelming 98% of those surveyed anticipate this trend to continue in 2024.

MERCHANT INSIGHT

54%

Merchants surveyed report an over 30% increase in shipping volume due to eCommerce growth in the past two years.

54%

Merchants surveyed expect their volume for eCommerce shipping to increase by at least 30% in 2024 compared to 2023.

Consumers surveyed state they plan to increase their online shopping in 2024, aligning with merchants' expectations.

However, this surge in shipping volume has brought challenges. Surveyed merchants report amplified difficulties such as exceeding annual shipping budgets (42%), customer complaints due to delivery delays (42%), and an increased number of claims for lost, stolen, or damaged shipments (31%). As shipment volume increases, so do potential complications — posing a dual threat to merchants' financial outcomes and customer satisfaction.

Anticipated Bottlenecks in Logistics as eCommerce Volumes Rise

54%

Fulfillment speed challenges

48%

Managing spikes in demand during peak periods

39%

Enabling more real-time shipment tracking and transparency

38%

Limited warehouse space

36%

Lack of visibility into potential mishaps before they happen

32%

Outdated technologies and lack of automation

28%

Limited omnichannel visibility

Mo' Shipments, Mo' Problems

A notable 69% of surveyed consumers grappled with shipping or delivery issues in the past year, citing late deliveries (38%), lost orders (32%), and damaged products (31%) as the top three culprits. Despite these challenges, consumer expectations regarding the shipping and delivery experience remain high. UPS Capital's consumer findings underscore this reality, with a resounding 92% reporting that the shipping and delivery experience significantly impacts their overall online shopping experience.

Top Three Culprits That Cause Surveyed Consumers to Reach Out to Customer Service

- 1 38%** Late deliveries
- 2 32%** Lost orders
- 3 31%** Damaged product

While merchants recognize the importance of providing timely shipping updates to customers, many struggle with real-time monitoring and tracking tools. Around half of surveyed merchants report struggling with labor-intensive manual tracking (51%), receiving shipping issues without actionable solutions (51%), and delayed updates (49%).

This struggle, compounded by shipping issues and limited actionable tracking updates, may carry substantial financial implications. In fact, a striking 30% of surveyed merchants report losses exceeding \$100,000 due to lost, stolen, or damaged shipments in the past year.

As merchants face rising concerns over false reports of stolen packages, robust risk management practices become not just a preference, but an imperative for sustainable and resilient eCommerce in this evolving landscape.



MERCHANT INSIGHT

Two-in-five surveyed merchants express that customer complaints due to delivery delays have been magnified as shipping volume has increased over the last two years.

Half (50%) of surveyed merchants acknowledge that providing timely updates to customers about potential shipping delays/issues would enhance customer satisfaction.

Surveyed Merchants Have Strong Opinions About Stolen Packages

47% feel strongly that false reports of stolen packages are a growing issue

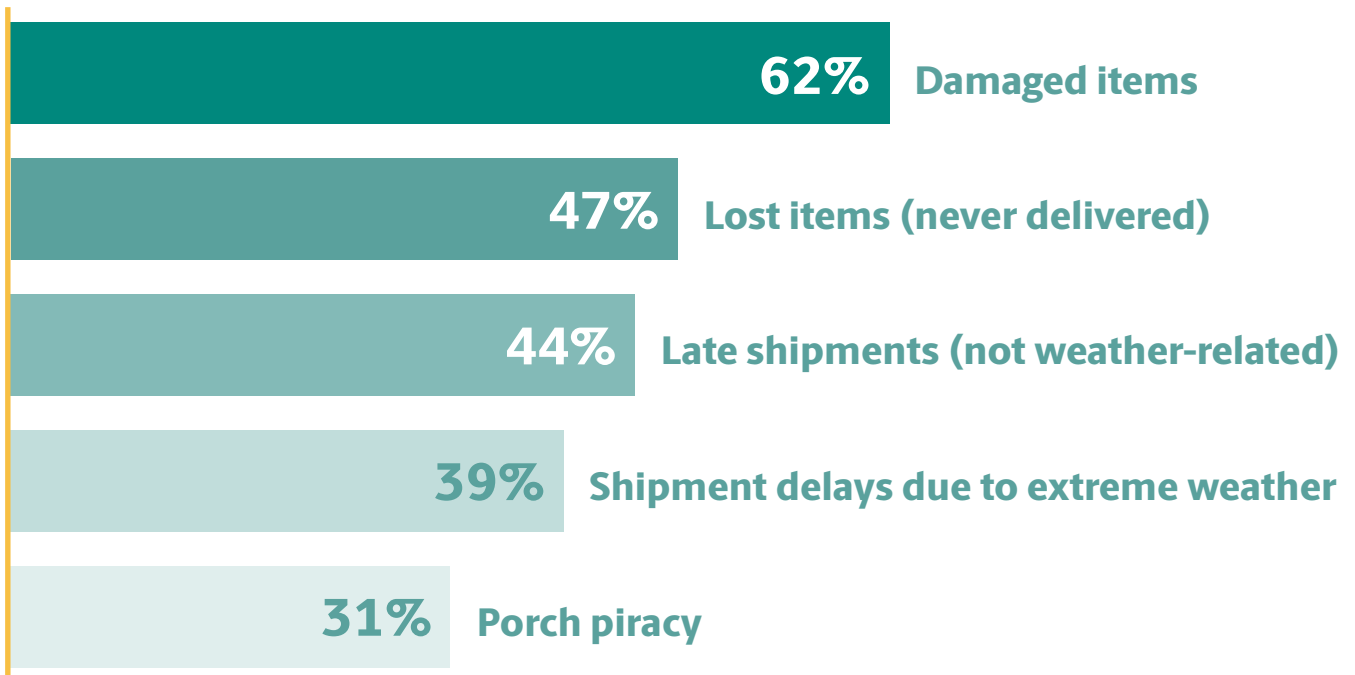
38% feel strongly that false reports of stolen packages should be considered as fraud and prosecuted more seriously

A Focused Look at Claims

Nearly a third (31%) of surveyed merchants stated that the rise in claims made with carriers due to lost, stolen, or damaged shipments is a notable challenge stemming from the increase in shipping volume over the last two years. This influx of shipping issues and associated claims can impose significant financial strain on merchants, with 30% of those surveyed disclosing losses exceeding \$100,000 due to either unpaid or partially paid insurance claims.



Main Reasons Surveyed Merchants Filed a Shipping Claim Regarding eCommerce Shipments



Issues Surveyed Merchants Typically Encounter When Filing a Claim

- 49%** Lengthy claims process (from filing to resolution)
- 43%** Multiple follow-ups required to get claim approved
- 42%** Having to prove the shipping carrier is at fault
- 38%** Extensive paperwork required
- 38%** Very few claims get approved



YEAR OVER YEAR INSIGHT

More surveyed merchants are experiencing issues with needing to prove the shipping carrier is at fault and having fewer claims approved.¹

Identifying Critical Areas for Risk Management

While shipping issues will naturally rise with increased shipping volumes, an overwhelming **95% of surveyed merchants voiced concern that their company's success hinges on mitigating instances of damaged, lost, or stolen items, inventory delays, and the complexities of reverse logistics.**



Biggest Threats to an eCommerce Company's Successⁱⁱ

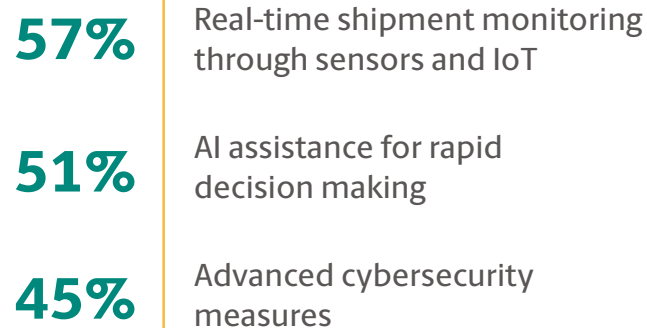


YEAR OVER YEAR INSIGHT

In 2022, surveyed merchants reported porch piracy as *the biggest threat to their business.*ⁱⁱⁱ

Given these top threats, it's unsurprising that 56% of surveyed merchants prioritize the ability to track delivery performance as the most important capability for their shipment operations. Additionally, those surveyed are keenly aware of the need for sophisticated tools to fortify their operations. Geographic analysis to predict potential issues along shipping routes ranks high in importance, with 39% acknowledging its value. Similarly, respondents deemed tools designed to prevent shipment fraud (39%) and the identification of routes with high loss (36%) essential for optimizing shipping processes.

Top Innovative Technologies for Managing Future Supply Chain Risks and Disruptions



Technology is Driving the Future of Shipping

Technology is playing an increasingly pivotal role in supply chain and shipping dynamics, fundamentally transforming traditional approaches and heralding an era of heightened efficiency and innovation. The integration of advanced technologies, such as the Internet of Things (IoT) and artificial intelligence (AI), has notably enhanced the visibility and transparency of supply chain operations.

INSIGHT

When considering integrating a new technology or tool, surveyed merchants prioritize ease of use, implementation, and integration with existing systems more than cost.^{iv}

Genuine Excitement for Artificial Intelligence

UPS Capital discovered that a surprising 77% of surveyed SMBs have implemented some form of AI-enabled technology, indicating their appetite for innovation and optimism that AI will revolutionize the shipping industry.

Surveyed merchants anticipate AI-driven solutions will reshape the shipping industry through improved efficiency (67%), reducing human error (58%), and optimizing warehouse operations along with inventory management (44%). This recognition emphasizes the significant potential AI holds for transformative improvements across various facets of the shipping landscape.



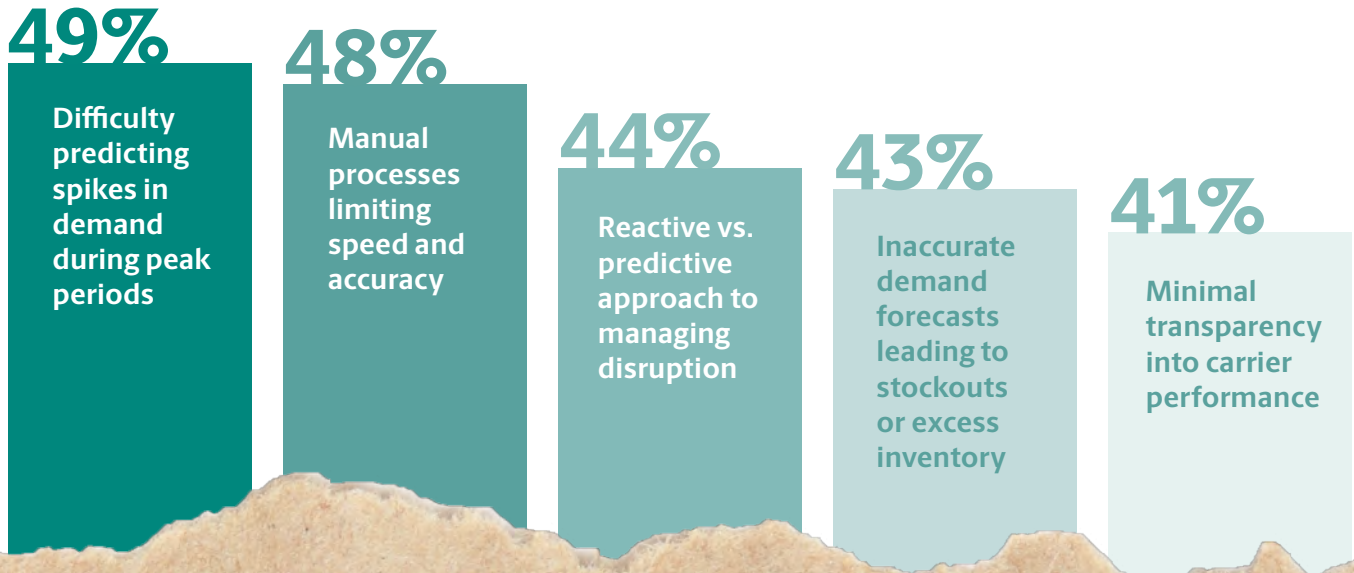
Has your company implemented any AI-driven solutions in your supply chain processes to date?

- 46%** Yes, we have implemented some AI-enabled technology
- 31%** Yes, we are going all in on AI
- 16%** No, we haven't implemented any but are considering it
- 5%** Unsure
- 2%** No, we are not prioritizing AI at this time

The Promise of AI

Surveyed merchants view AI not only as a catalyst for positive change within their own businesses but also as a revolutionary force capable of reshaping the broader landscape of the shipping industry.

Shipping Challenges that AI Can Help Solve



How AI-Driven Solutions Can Transform the Shipping Industry



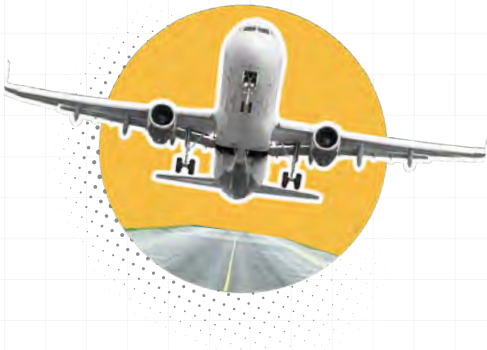
Implementing IoT

The excitement for innovative tech solutions doesn't stop with AI. Surveyed merchants also hold favorable views of IoT's potential impacts on the future of the supply chain.

What Surveyed Merchants Are Saying About How IoT Can Enhance Supply Chain Visibility and Efficiencies^v



IoT can provide **proactive and real-time tracking updates**, allow customer success teams to better communicate with customers, and monitor changes in delivery timelines



IoT can **monitor environmental conditions and inform future supply chain decisions** via AI and machine learning

IoT has the ability to **improve efficiencies in fulfillment facilities**, avoiding threats of bottlenecks



However, surveyed merchants do harbor some reservations around the potential threats to data security and privacy posed by IoT. In fact, 49% express concern about the risk of unauthorized access or misuse of sensitive shipment data, such as shipping addresses and contact information. Additionally, 45% worry about vulnerability to cyberattacks and potential hacking of connected devices. Another apprehension centers around the perceived lack of staff expertise in IoT security best practices, with 43% expressing uneasiness about navigating evolving cybersecurity challenges.

Yet, the supply chain industry actively acknowledges and addresses cybersecurity significance. This proactive stance reflects a commitment to continuous improvement in securely integrating IoT technologies within the dynamic supply chain landscape.



Entering 2024 and beyond, emerging tech reshapes logistics. AI and IoT aren't just tools; they redefine possibilities, crafting smarter, resilient supply chains.

Archita Prasad

Global Strategy & Digital Transformation Executive, UPS Capital



Customer Experience is King

In an increasingly competitive eCommerce market, companies are doubling down on enhancing the post-purchase experience to cultivate and retain customer loyalty. To stand out from the crowd, merchants are implementing customer loyalty programs and personalized shipping offerings, and exploring more ways to elevate the returns experience.

Loyalty Programs: Elevating Customer Relationships

By offering tangible rewards and exclusive experiences, loyalty programs serve as more than incentives for repeat business - they play a pivotal role in shaping brand image and customer perceptions. Customers who feel valued and rewarded for their loyalty may be more likely to develop a deeper connection with the brand, viewing it as not just a transactional entity but a partner in their shopping journey..

Nearly half of surveyed consumers rank loyalty programs as one of the most appealing benefits that retailers offer, trailing only behind free shipping. Key features like earning points and gaining early access to sales — two benefits commonly associated with loyalty programs — are getting noticed by customers.

What retailer benefits are most appealing to consumers?



INSIGHT

Merchants align closely with consumer interest, with more than half of those surveyed indicating readiness to offer exclusive discounts (55%), rewards redeemable in the next purchase (55%), and early access to new products/services (54%).



Ways Loyalty Programs Can Enhance Brand Image and Customer Perception According to Surveyed Merchants



58%

Improve Customer Retention with points accumulation, tiered rewards, and member-only events

55%

Increase Customer Engagement through personalized offers and exclusive discounts



49%

Enhance Positive Word-of-Mouth through satisfied customers sharing their experiences and online reviews

48%

Enhance Brand Loyalty with meaningful rewards like discounts, free products, and experiential perks



45%

Increase Data-Driven Personalization with personalized recommendations and targeted communication

Trend Alert: Preferences for Personalized Shipping Soar

Surveyed consumers are seeking greater control over their shopping experience, expressing keen interest in personalized and flexible delivery options. From selecting preferred delivery speeds and arrival dates to exploring various return options, personalized shipping is reshaping the post-purchase experience.

Personalized Shipping Offerings Surveyed Consumers Are Most Interested In



Merchants recognize the profound value in offering personalized shipping options, with an overwhelming 93% of those surveyed believing that it plays a pivotal role in driving customer retention. Moreover, 96% of respondents agree that personalized shipping options significantly enhance customer satisfaction and loyalty. This sentiment is echoed by surveyed consumers, as 76% expressed they would be more likely to choose a retailer offering customized shipping and delivery options when faced with similar alternatives.

INSIGHT

89% of surveyed merchants plan to offer more personalized shipping options in 2024.

While merchants acknowledge varying levels of difficulty in implementing personalized shipping options, a confident 91% of those surveyed believe in their businesses' ability to offer personalized shipping options across multiple marketplaces.

Personalized Shipping Options Surveyed Merchants Believe Are the Most Challenging to Implement



Returns Realities in eCommerce

Returns are a natural part of the online shopping experience, with a substantial 60% of surveyed merchants acknowledging that over 10% of their orders end up being returned.

Interestingly, while an impressive 92% of merchants in the study express confidence in their businesses' returns logistics, merchants also candidly report encountering significant challenges in the return process such as processing time, the cost of reverse logistics, efficient inventory management, and the potential impact on customer service. These challenges highlight the need for effective, customer-friendly return processes that balance operational efficiency with a positive overall customer experience.

Top Challenges Surveyed Merchants Face When Processing Returns



50%

Processing time

36%

Customer service impact

43%

Cost of reverse logistics

33%

Inventory management

36%

Identifying root causes

30%

Financial forecasting

Surveyed merchants believe data analytics and automation can be potential solutions to alleviate some of the challenges posed by returns. Specifically, they see these technologies as instrumental in optimizing inventory management (50%) and reducing return processing costs through optimized return shipping (37%).

MERCHANT INSIGHT

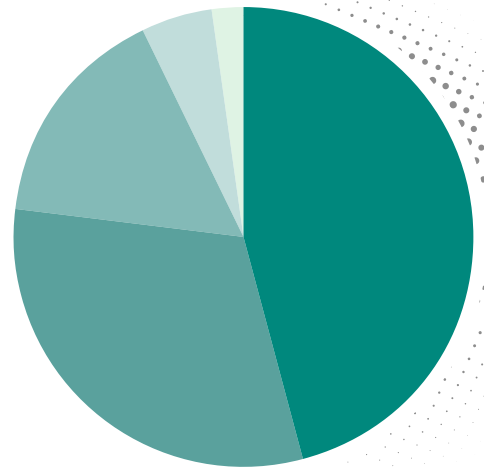
53%

53% of surveyed merchants feel strongly that return shipment fraud (returns with missing merchandise, altered labels, or return addresses), is significantly impacting their business's profitability.

As merchants look to transform their returns processes, it will be crucial to understand and accommodate customer return behaviors and preferences. A significant 81% of surveyed consumers admit to returning at least some of their online purchases, with 24% returning more than 10% of their online orders. According to those surveyed, pre-paid return labels are the preferred and most used return method, creating a notable opportunity for merchants to explore how leveraging data analytics and automation can optimize return shipping processes and simultaneously reduce return processing costs.

Preferred Return Methods for Surveyed Consumers

- 39%** Ship returns with **pre-paid return labels**
- 28%** In-store return options
- 20%** Drop off options not associated with the retailer (i.e., Happy Returns locations)
- 9%** Schedule **carrier pick up** (i.e., FedEx, UPS)
- 4%** Ship returns with **some cost to me**



Within the extensive UPS ecosystem, we sculpt an exceptional customer journey by utilizing advanced AI for successful deliveries, benefiting both consumers and merchants. UPS My Choice® offers personalized options, while our Access Point locations enhance the entire post-purchase experience.



Eduardo Lopez-Soriano

VP of Marketing at UPS Capital

Most Desirable Returns Features for Surveyed Consumers

- 66%** Pre-paid return labels
- 58%** Package free returns (i.e., no packaging required, original packaging not required)
- 53%** Drop off options not associated with the retailer (i.e., UPS Store, Happy Returns locations)

Conclusion

The surge in eCommerce is reshaping the importance of shipping for both merchants and consumers alike. The post-purchase journey carries immense weight — it's a linchpin influencing customer satisfaction, loyalty, and the overall health of businesses. As merchants navigate this intricate landscape, effective risk management becomes imperative.

To support eCommerce retailers on this journey, InsureShield® Shipping Insurance by UPS Capital Insurance Agency, Inc. has launched DeliveryDefense™ Address Confidence. This new predictive analytics solution empowers merchants to assess the likelihood of delivery associated with addresses nationwide, enabling them to make informed decisions before shipping. This groundbreaking offering aims to help mitigate losses, boost revenue, yield better customer satisfaction, and more.

Merchants' genuine excitement about adopting AI and IoT solutions to address shipping and delivery challenges reflects a collective eagerness to embrace advanced technologies. This evolving, tech-centric approach isn't just about overcoming current obstacles; it's about propelling the eCommerce ecosystem toward a more efficient and customer-centric future.



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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For more information, please visit insureshield.com



Sources:

[2022 The Annual State of Shipping Report](#)

*SMB Survey: Which of the following are threats to your company's success? Select all that apply.

Damaged Items	64%
Lost Items	61%
Inventory Delay	51%
Reverse Logistics	34%
Porch Piracy	33%

[2022 The Annual State of Shipping Report](#)

*SMB Survey: What factors are most important to you when considering the integration of a new technology or tool into your existing shipping processes? Select all that apply.

User-friendliness and ease of implementation	62%
Seamless integration with existing systems	54%
Cost	46%

*SMB Survey: Which of the following statements best reflect your perception of how IoT technology can enhance supply chain visibility and reduce inefficiencies? Select all that apply.

IoT can provide proactive and real-time tracking updates, allow customer success teams to better communicate with customers, and monitor changes in delivery timelines	63%
IoT can monitor environmental conditions and inform future supply chain decisions via AI and machine learning	50%
IoT has the ability to improve efficiencies in fulfillment facilities, avoiding threats of bottle necks	49%

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Methodology: The Future of Shipping report is based on a November 2023 survey conducted by Dynata on behalf of UPS Capital of 500 U.S. SMBs owners and decision makers who have a revenue from \$750K — <\$1000M 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 December 2023.