



InsureShield®
Shipping Insurance
by UPS Capital Insurance Agency, Inc.

The Need for Speed

Merchant Strategies for Balancing Fast Shipping with Cost Efficiency

In an era where on-demand services have become the standard, speed has become crucial for satisfying today's customers. The push for faster shipping isn't just a passing trend—it's causing a fundamental shift in the eCommerce landscape.

Merchants expect a 30% increase in shipping volume for 2024¹ underscoring the breakneck pace of the market, as consumers increasingly expect deliveries within two days or less.

How is your company rising to meet this need for speed?

This whitepaper explores insights from eCommerce merchants and consumers to examine how businesses are addressing the challenges of providing fast shipping while managing operational costs. Read on to dive into the impact on ROI, tactics to compete internationally, and how companies are positioning themselves to deliver a top-tier CX.

Demand has caused
next-day shipping to
increase by

58%

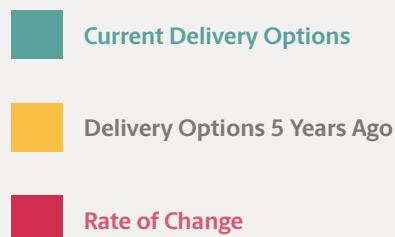
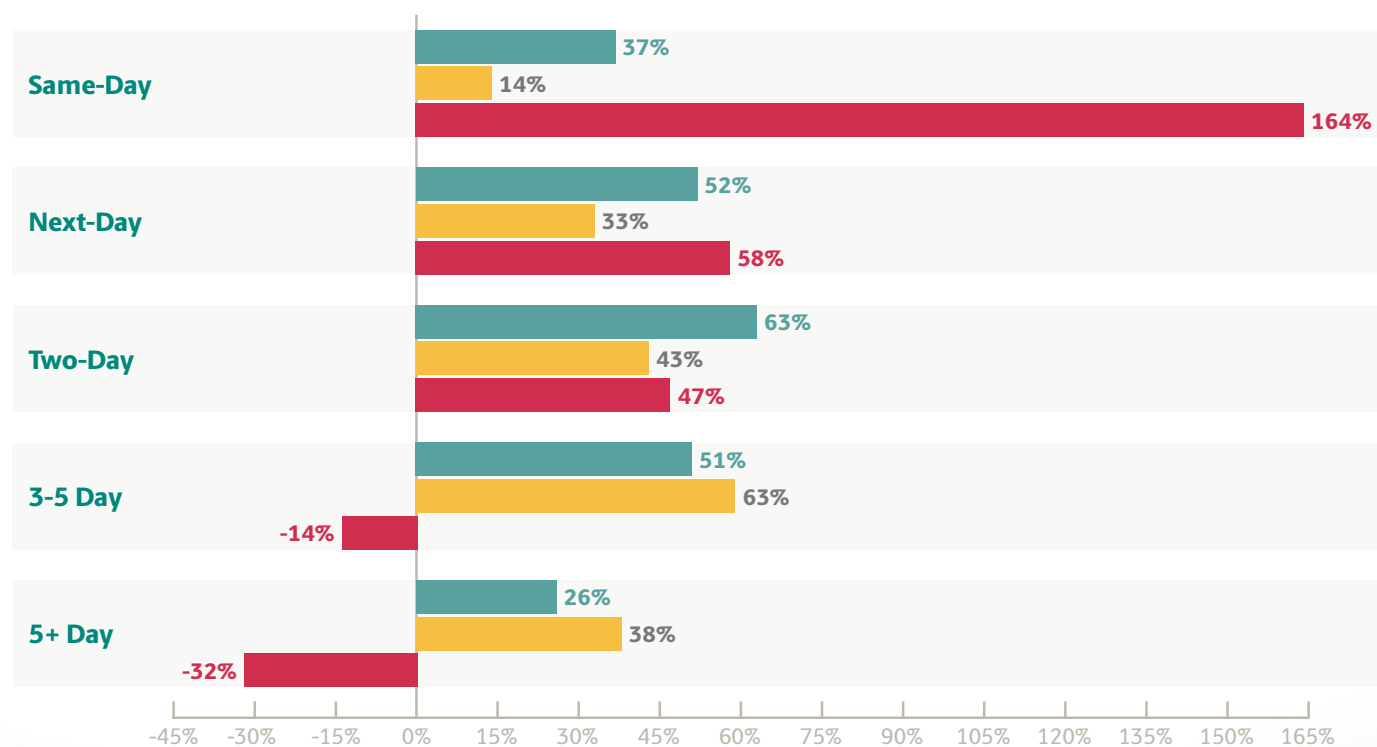
2-day shipping
increased
merchant operational costs

Start Your Engines: Expedited Delivery is Revving Up

Over the past five years, the number of merchants offering two-day shipping has grown by 47%. Today, an impressive 59% of merchants surveyed report that over half of their customer orders are now shipped and delivered within two days.

Demand for even faster delivery options is also on the rise as **next-day shipping has increased by 58%, and same-day shipping has grown by an astounding 164%**. These figures make one thing clear: delivery speed has shifted gears from being a luxury to a requirement.

Full Speed Ahead: Changes in Delivery Options Over 5 Years



Yet, meeting this preference for expedited shipping isn't without difficulties for merchants. A considerable 63% of respondents feel pressured to offer faster delivery, with 25% feeling compelled to provide it at no additional cost. This pressure stems from both rising consumer expectations and a fiercely competitive landscape.

Merchants attribute the shift in delivery desires over the past five years to several key factors. Nearly three in five (59%) respondents identify Amazon as a primary driver of the rapid evolution in shipping standards. The ease and immediacy provided by this eCommerce giant has set new benchmarks, pushing smaller retailers to keep up. Additionally, over a quarter (26%) of respondents point to shifting consumer opinions as another major influence.

Check the Leaderboard

Top 3 Reasons Merchants Offer Expedited Shipping

- | | | |
|----|--|-----|
| 1. | Customer demands | 76% |
| 2. | Competition with direct competitors | 50% |
| 3. | Competition with big box retailers (i.e., Target, Walmart) | 48% |

Buckle Up: Putting Consumers in the Driver's Seat

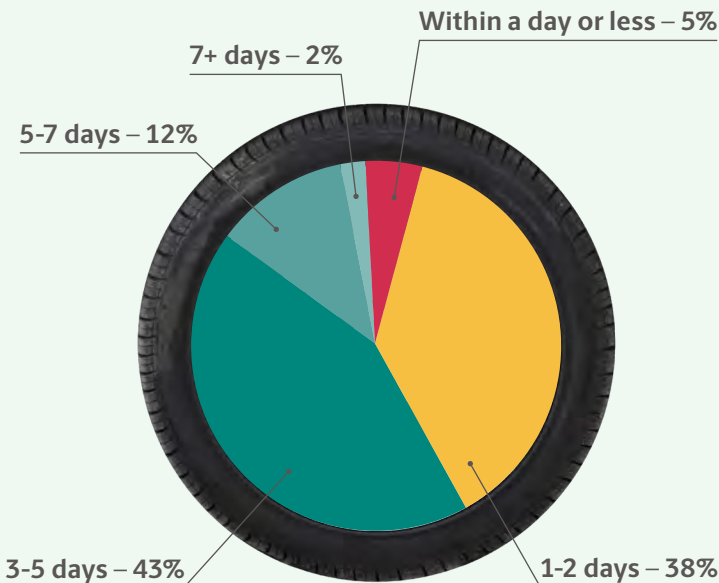
A Deep Dive into Consumer Influences and Expectations

Delivery Expectations vs. Reality

Intense competition among big-box retailers, amplified by the pandemic-driven growth of eCommerce, has fueled a race toward faster shipping timelines. Two-day shipping has become table stakes, raising customer expectations across the board.

While 43% of consumers surveyed receive their online orders within two days on average, even more expect this to be the norm.² In contrast, only 18% of consumers surveyed feel that two-day shipping is unnecessary.

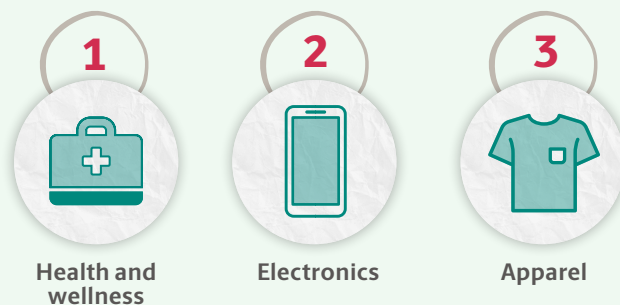
Every Second Counts: Average Delivery Time of Consumers' Online Orders



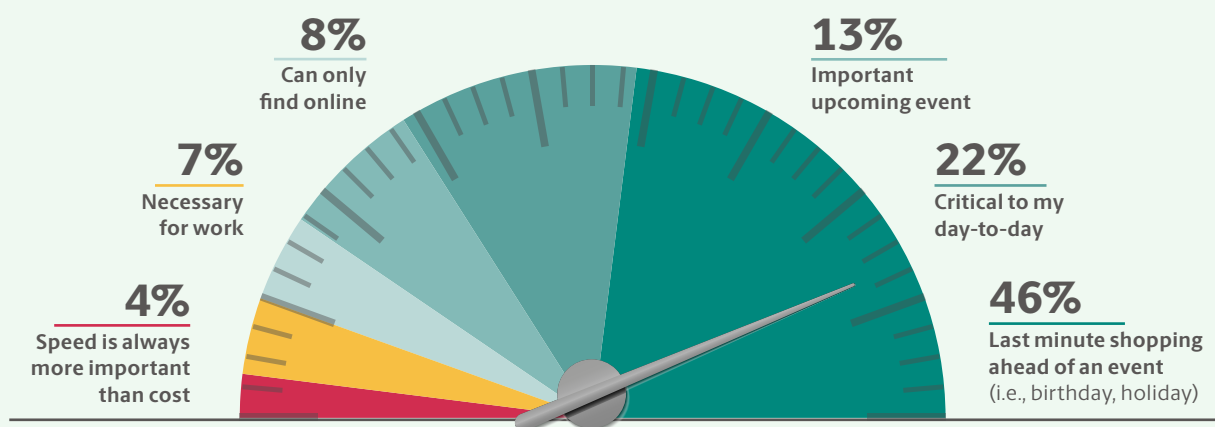
When is Expedited Shipping Most Valuable?

Consumers are most eager to receive health and wellness, electronics, and apparel orders within two days of purchasing. As opposed to items like games/toys and furniture/home goods.³ This is likely because these items are viewed as critical to day-to-day activities or important events.

Get Into the Fast Lane Industries that Should Prioritize Two-Day Shipping³



Going Full Throttle | Consumer POV: When Shipment Speed Beats Cost



More than half (54%) of consumers surveyed are willing to pay for expedited shipping, particularly in the categories mentioned earlier. Notably, they prefer next-day delivery over options with 12-hour or one to two-day windows.⁴

Photo Finish: Key Takeaways for Merchants

- ✓ **Two-Day Shipping as the New Standard:** Consumers now expect two-day shipping, which has significantly influenced their purchasing behavior and loyalty toward certain retailers.
- ✓ **Demand Varies by Product Type:** The urgency for expedited shipping varies based on product type and customer needs. High-demand items like apparel and health and wellness often require faster delivery, while less vital items like home goods may allow for more flexible timelines.
- ✓ **Offering Diverse Shipping Options is Key:** Merchants should provide a range of shipping options, allowing customers to choose what suits them best. Businesses should strategically assess which shipping methods to subsidize, balancing customer satisfaction with operational costs.

Speed Bumps Ahead: Handling Expedited Shipping Challenges

As merchants gear up for an expected 30% surge in shipping volume, a substantial 88% of those surveyed feel ready to handle the influx.

However, fulfilling orders promptly to meet delivery expectations introduces new challenges. Surveyed merchants identified their biggest roadblocks as:

45%

Quick Order Fulfillment

The pressure to ship quickly strains resources and logistics.

41%

Customer Complaints Due to Delivery Delays

Higher shipping volumes increase the risk of delays, impacting customer satisfaction.

37%

Exceeding Annual Shipping Budgets

Balancing speed with cost creates additional stress on already tight budgets.

To tackle these hurdles, merchants are leveraging risk management tools such as:

62%

Tracking Delivery Performance

Real-time tracking allows merchants to monitor deliveries closely, helping to proactively address issues.

45%

Geographic Analysis

Using geographic data enables merchants to anticipate and resolve potential issues along shipping routes, boosting operational efficiency.

41%

Recommendations to Reduce Shipping Costs

Cost-saving insights help streamline shipping processes, offering faster options without sacrificing profitability.



As businesses navigate the complexities of providing expedited shipping, addressing these challenges with the right solutions is crucial for sustaining growth and enhancing customer satisfaction in a competitive marketplace.

Staying Ahead of the Curve

How to Mitigate Shipping Issues While Moving Quickly

As shipping timelines pick up, so does the likelihood of issues like lost, stolen, or damaged packages. Among the consumers surveyed who have received items within two days, 21% have experienced delivery delays, 10% have received damaged items, and 6% have reported stolen packages.

As a result, over a third (35%) of surveyed merchants cite managing shipping claims a significant challenge. Such problems not only create operational strain but also harm customer satisfaction.

In fact, 74% of surveyed merchants acknowledge that delivery issues affect customer retention, with half describing a “strong” impact on their ability to retain customers.⁵

Additionally, nearly three in five (59%) merchants manage shipping-related complaints internally, which can place additional pressure on their resources. These statistics point to the need for effective tools to manage claims efficiently, helping optimize processes and improve customer approval.

To effectively handle shipping issues, merchants should consider the following methods:



Invest in Claims Management Software

Streamline claims for lost, stolen, or damaged packages to free up resources to focus on more strategic work.



Enhance Tracking Systems

Implement real-time tracking to improve transparency, build trust, and reduce delivery-related inquiries.



Utilize Analytics for Predictive Insights

Use predictive analytics to help identify and address potential shipping problems before they occur.



— INSIGHT

InsureShield® Shipping Insurance offers solutions that cover these areas and more to help streamline operations and improve the CX.

Neck and Neck:

The Tension Between Speed and Cost

In the race to meet consumer demands for fast shipping, merchants face a delicate balancing act: delivering expedited services while managing rising costs. As the saying goes, “nothing is free.”

Shipping expenses are a top concern for merchants, ranking among the biggest challenges in fulfilling delivery expectations.⁶

As demand for two-day shipping grows, **84% of surveyed merchants report that these expectations have increased operational costs.** Notably, 37% of merchants now spend more than \$100,000 annually on expedited shipping (excluding staffing expenses).

To manage these financial pressures, many merchants incorporate shipping costs into product prices (55%) or charge customers directly (35%).



64%

Prefer better prices >
Free expedited
shipping

Pit Stop: Should Merchants Gas Up Speed or Savings?

While consumers value speed, price remains a key driver in their purchasing decision. Over a third (64%) of surveyed consumers indicate they are more likely to buy from a retailer that offers better prices over free expedited shipping.

However, meeting the demand for faster delivery comes at a price. With 84% of surveyed merchants facing increased costs⁷—and 37% spending over \$100,000 annually on expedited shipping—the financial burden of meeting rapid delivery demands can significantly impact profitability.

To optimize shipping expenditures, businesses should explore innovative techniques like partnering with strategic carriers, negotiating bulk rates, or selectively subsidizing costs for high-value items. These approaches can help create an attractive balance between speed and affordability.

Racing Against Time (and Money) How Merchants Afford Expedited Shipping Costs



55%

Build costs into
product prices



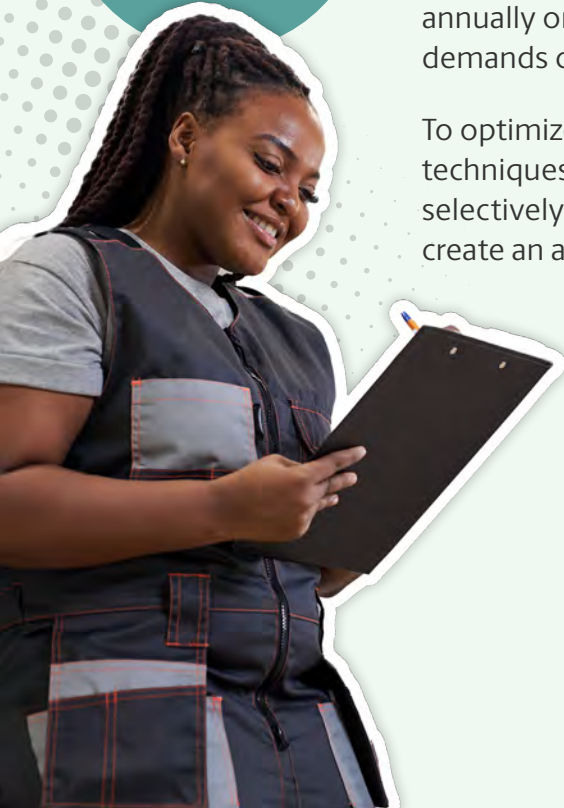
35%

Charge
customers



9%

Absorb
shipping costs



Pedal to the Metal:

A Race to Deliver on Customer Expectations

Nearly all (95%) merchants surveyed believe that customers highly value expedited shipping, viewing it as a priority that reflects the urgency many shoppers feel when ordering online.

However, only 28% of these merchants consider price to be more important than delivery speed—a perception that may not fully align with consumer priorities.⁸

Data indicates that while delivery speed is important, it often still takes a back seat to price. As previously mentioned, **a third of consumers surveyed are more likely to purchase from a retailer offering better prices over free expedited shipping.**

This insight reflects the significance of price as a primary factor in purchasing decisions, while also suggesting that delivery speed can be a compelling element in closing sales and boosting customer retention.



Despite price being a leading factor, expedited shipping has shown significant benefits, with **(97%) of merchants surveyed reporting positive impacts on customer retention and repeat purchases.** Fast shipping can thus serve as a competitive edge, attracting new customers and securing loyalty.

Eyes on the Prize: Merchant-Reported Benefits of Offering Expedited Shipping

71%

Improved customer retention / loyalty

60%

Increase in purchases

59%

Positive customer reviews

51%

Attracting customers from competitors



A Fast Track to Success: Outpacing Global Competition

The rise of global eCommerce is reshaping competition for U.S.-based merchants. According to U.S. Customs and Border Protection, over one billion small packages were shipped to the U.S. in 2023.¹⁰

As cost-competitive international players like Temu and Shein gain traction, **85% of merchants surveyed report that these competitors are influencing their shipping strategies.**

In response to this competitive pressure, 42% of merchants surveyed have adopted faster and more affordable shipping options to keep pace with the lower costs and quick delivery promises that attract customers to international retailers.

In fact, the 61% of surveyed consumers who have shopped with brands like Temu and Shein report price as the most significant driver when shopping globally.¹¹

However, cost is not the only factor. Almost half (47%) of surveyed consumers say they would be more inclined to shop from international retailers instead of domestic giants like Amazon or Target if those retailers offered free expedited shipping on all orders.

As global competition intensifies, merchants must develop effective strategies to navigate these changes. Possible approaches include enhancing logistics efficiencies, rethinking pricing structures, and prioritizing sustainability to address the long-term environmental impacts of increased shipping demands.



Don't Get Left in the Dust

Merchant Concerns Over
the Rise in International
Shipments¹²

1

Increase in
competition

2

Changes in logistics
and fulfillment costs

3

Sustainability /
environmental impact

Crossing the Finish Line to Win Customer Satisfaction

Fast delivery has become essential in eCommerce, with two-day shipping now a customer expectation. As consumer behaviors evolve, merchants must stay vigilant by monitoring shifts and emerging trends in the post-purchase experiences to stay competitive against domestic and international players.

UPS Capital offers tailored solutions to help merchants navigate these complexities. From managing shipping claims for lost, stolen, or damaged packages to providing insights that optimize delivery performance and reduce costs, UPS Capital equips businesses with the tools they need to thrive in an increasingly competitive market. By partnering with UPS Capital, merchants can strengthen their operations, enhance customer satisfaction, and maintain a competitive edge in the fast-paced world of eCommerce.



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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Methodology: The *Need for Speed* report is based on an October 2024 survey conducted by Dynata on behalf of UPS Capital of 500 U.S. eCommerce decision makers who have a revenue from \$750K - \$100M+ and leverage eCommerce platforms and marketplaces to sell and ship physical consumer 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 October 2024.

Sources:

1. [2024 Future of Shipping Report](#) by UPS Capital Insurance Agency, Inc.

2. Select the option that best represents your expectations for delivery speed when shopping online. *All consumers.*

Response	Percentage
I expect most of my orders to arrive within 2 days unless notified otherwise	26%
I only expect my orders to arrive in 2 days if I pay for expedited shipping	20%
I expect nearly all my orders to arrive within 2 days	19%
I don't think 2 days shipping is necessary, but it's a nice to have	19%
I'd be okay if most of my orders arrived within 5 days	16%

3. What type of product is most important to receive within 2 days of purchasing online? *All consumers.*

Response	Percentage
Health and wellness	35%
Electronics	13%
Apparel	11%
Beauty	6%
Accessories (shoes, bags, etc.)	5%
Luxury goods	3%
Furniture and home goods	2%
Games and toys	2%
Other	6%
N/A 2-day shipping isn't necessary	18%

4. Are you willing to pay for expedited shipping? *All consumers.*

Response	Percentage
Yes, if delivered within 12 hours	20%
Yes, if delivered within a day	29%
Yes, if delivered within 1 – 2 days	22%
No, I'm not willing to pay for expedited shipping	31%
No, I'm not willing to pay for shipping at all	15%

5. How do delivery-related issues (lost, stolen, or delayed orders) impact your customer retention? *All merchants.*

Response	Percentage
Strongly: Customers are less likely to return after a bad delivery experience	37%
Somewhat: We've noticed a slight drop in repeat customers after delivery issues	37%
No impact: Customers understand occasional issues	26%
No, I'm not willing to pay for expedited shipping	31%
No, I'm not willing to pay for shipping at all	15%

6. Which of the following would be the greatest challenges you expect to encounter with rising shipping volume and expedited shipping/delivery? *All merchants.*

Response	Percentage
Issues quickly fulfilling orders	45%
Customer complaints due to delivery delays	41%
Exceeding annual shipping budgets	37%
Managing claims for lost, stolen or damaged orders	35%
Struggles with carrier coordination	33%
Difficulty meeting marketplace (i.e., Amazon, Target) fulfillment and delivery requirements	31%
None of the above	7%

7. How has the increasing customer demand for 2-day shipping affected your business's budget and operational costs? *All merchants.*

Response	Percentage
Significantly increased costs	21%
Somewhat increased costs	61%
No impact on costs	14%
Somewhat decreased costs	2%
Significantly decreased costs	0%

8. Reflecting on customer behavior, do you feel that price or speed matters more to your customers today? *All merchants.*

Response	Percentage
It's balanced: Both price and speed are equally important	43%
Speed: Customers prioritize receiving items quickly, even at a higher cost	30%
Price: Customers prioritize cheaper options over faster delivery	28%
Somewhat decreased costs	2%
Significantly decreased costs	0%

9. When shopping online, what factors are most important to you when choosing a retailer? Select up to three. *All consumers.*

Response	Percentage
Price of the product	81%
Speed of delivery	50%
Return policy	39%
Customer reviews	33%
Brand reputation	26%
Availability of unique or hard-to-find items	15%
Customer service	10%

10. [FY 2023 CBP Trade Sheet](#) by U.S. Customs and Boarder Protection

11. If you have purchased from international retailers like Shein or Temu, what influenced you the most to buy from these retailers? *All consumers.*

Response	Percentage
Price	40%
Quality	8%
Speed of delivery	7%
Unique inventory	4%
Buying experience	3%
N/A Haven't shopped with Shien or Temu	39%

12. What is your greatest concern regarding the influx of international eCommerce shipments coming into the U.S.? *All merchants.*

Response	Percentage
Increase in competition	46%
Changes in logistics and fulfillment costs	27%
Sustainability / environmental impact	10%
Shift in customer loyalty	9%
Policy disruptions to the supply chain	8%