Taking Back Control

How Merchants Can Win the Last-Mile Battle

85%

of merchants report that the growing expectation for faster delivery has impacted their operations. Are you being impacted?

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

The global last-mile delivery market is projected to surpass **$200 billion by 2027.**[1]

As eCommerce continues its rapid growth, businesses face mounting pressure to deliver faster, more efficiently, and with greater transparency—all while controlling costs. Yet, many merchants struggle to keep up with accelerating last-mile demands.

This whitepaper unpacks insights from a survey of 500 eCommerce merchants and 1,000 U.S. consumers, providing a detailed look at the last-mile delivery landscape in 2025. We'll examine how merchants are embracing advanced technologies, rethinking fulfillment strategies, and addressing the factors that matter most to consumers when placing orders.

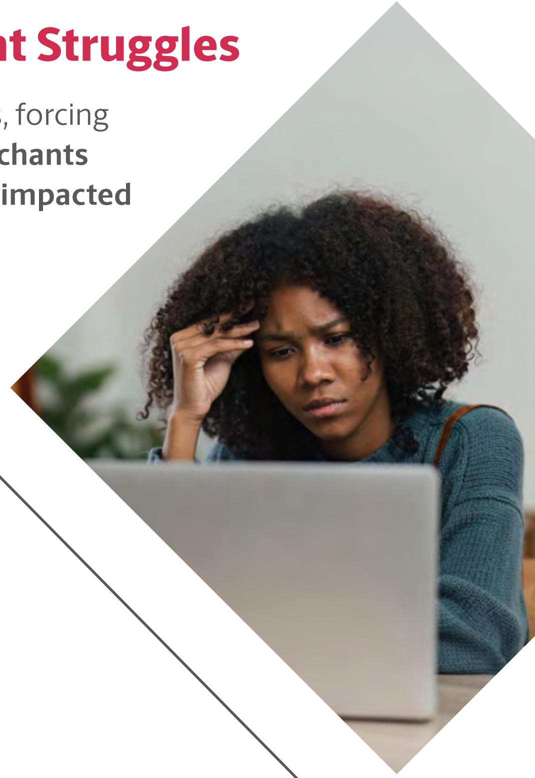
Discover key strategies to help regain control of the last mile and deliver a smoother, more reliable experience for customers.

State of Last Mile: Navigating the Challenges of 2025

As last-mile demands continue to evolve, businesses must strike a balance between meeting consumer expectations and maintaining operational efficiency. **Taking back control requires more than just speed—it demands a holistic strategy that includes AI-driven logistics, flexible fulfillment, and proactive risk management.**

Rising Consumer Expectations and Merchant Struggles

The demand for same-day and next-day delivery has reshaped logistics, forcing businesses to rethink their fulfillment strategies. **A striking 85% of merchants surveyed report that this growing expectation for faster delivery has impacted their operations, with 42% citing major disruptions.**



Industries Citing Significant Impact from Fast Shipping Demands

71%
Toys / games / outdoor goods

57%
High-end / luxury

Unsurprisingly, speed is now the top factor influencing where consumers shop. **Nearly a third (31%) of consumers surveyed rank fast delivery as the most critical consideration, surpassing cost and even product selection.**

Among younger shoppers, this preference is even more pronounced—**51% of Gen Z respondents prioritize fast shipping, compared to just 15% of Baby Boomers.** Meanwhile, older generations place a greater emphasis on affordability, with 45% of Boomer and 43% of Gen X surveyed shoppers valuing low shipping costs over speed.

Consumers' Top 3 Factors When Choosing a Retailer[2]

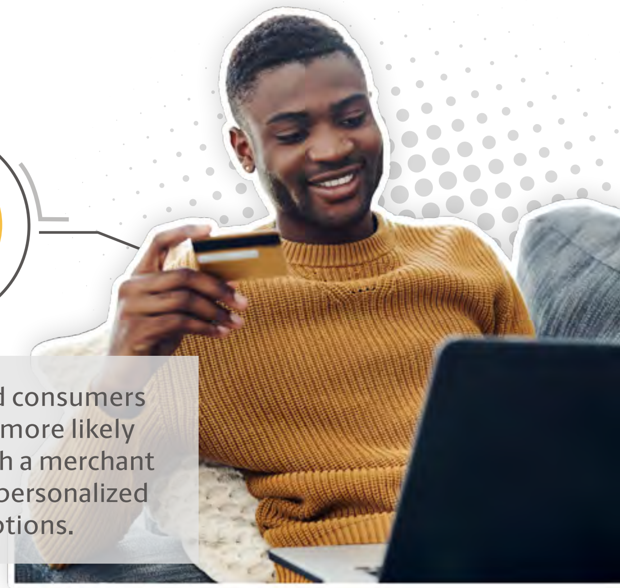
#1 Fast delivery

#2 Low shipping costs

#3 Reliable packaging

The Shift Toward Personalized Delivery Experiences

Consumers increasingly expect more control over their deliveries. Nearly half (44%) of surveyed shoppers want the ability to customize shipping preferences, while 43% want guaranteed safe delivery or an easy replacement process if something goes wrong (i.e., package protection).[3]



84% of surveyed consumers say they're more likely to shop with a merchant that offers personalized shipping options.

Perks that Make Consumers More Likely to Purchase[3]

65%
Ability to track packages in real-time

55%
Ability to pick package arrival day/time

50%
Guaranteed insurance coverage of all packages in case of mishap

The Cost of Control: Key Barriers to Last-Mile Optimization

Merchants are responding by investing in technology, with 41% of respondents considering advanced real-time tracking solutions and 32% looking into AI-driven route optimizations to improve efficiency and reliability.

Top 3 Ways Merchants Currently Manage Last-Mile Deliveries[4]

#1
Real-time tracking and GPS software

#2
Delivery management platforms

#3
Automated customer notifications

Despite these investments, maintaining full control over last-mile operations remains costly and complex. Over a third (36%) of surveyed merchants cite the high cost of visibility tools and the challenge of managing multiple carriers as their top pain points.

To navigate these obstacles, many businesses are adopting innovative solutions, including:

- **Strategic partnerships with trusted logistics providers** to streamline delivery operations.
- **Subscription-based shipping programs** that allow merchants to pass some costs to consumers while enhancing loyalty.
- **Crowdsourced delivery networks** that expand fulfillment capabilities without significant infrastructure investment.

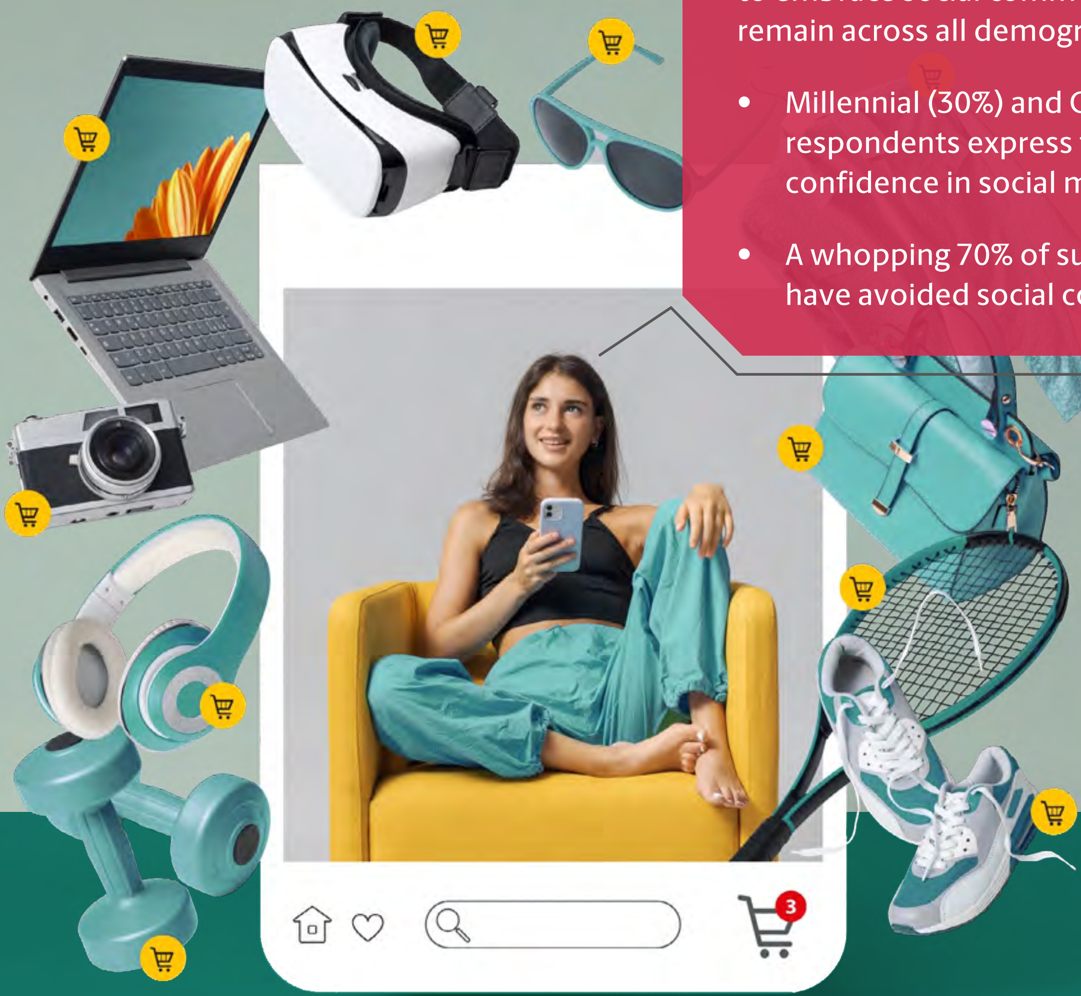
Social Commerce: Growth and Trust Challenges

The rise of social commerce—buying directly through social media platforms like Instagram, TikTok, and Facebook—is reshaping eCommerce. However, trust remains a major roadblock in preventing its full adoption.

- **Only 19% of surveyed shoppers trust social media storefronts for deliveries.**
- A surprising 39% of surveyed consumers have never even attempted a social commerce purchase.

While younger consumers are more inclined to embrace social commerce, trust issues remain across all demographics.

- Millennial (30%) and Gen Z (25%) respondents express the highest confidence in social media storefronts.
- A whopping 70% of surveyed Boomers have avoided social commerce altogether.



For social commerce to **reach its full potential**, businesses must address consumer hesitations by:

- **Enhancing delivery reliability** with trusted logistics partnerships.
- **Providing transparent shipping policies** and guarantees to build confidence.
- **Leveraging customer reviews** and social proof to validate storefront credibility.

Beyond Carrier Liability: Why Merchants Are Seeking Greater Last-Mile Protection

With growing financial losses, consumer expectations, and shifting blame, merchants are re-evaluating their last-mile protection strategies. Traditional carrier liability alone is no longer enough to safeguard businesses against rising claims and disputes.

The Shortcomings of Carrier Liability

In 2022, 64% of surveyed merchants relied solely on carrier liability for lost or damaged shipments. However, this approach has its limitations—payouts are often delayed, partial, or denied, leaving businesses to absorb the costs. By 2025, **46% of surveyed merchants report that fewer than half of their claims are paid out, amplifying demand for third-party shipping protection.**

Merchants are Willing to Invest in Protection

Back in 2022, 90% of surveyed merchants said they'd be willing to pay more for insured last-mile delivery. In 2025, that willingness remains strong, but businesses are looking beyond insurance to further fortify their shipping strategies. **AI-driven tracking, real-time visibility tools, and automated claims management are becoming essential components of a robust risk mitigation plan.**[7]

Notably, high-end/luxury merchants remain the most financially vulnerable, citing higher loss rates than other industries.[8] To maintain trust and prevent financial drain, brands must prioritize last-mile security as a key differentiator in their logistics strategy.

By Industry: 50% or Less of Merchant Claims Going Unpaid

57%	Toys / games / outdoor goods
49%	High-end / luxury
47%	Apparel
47%	Electronics
47%	Health and wellness
46%	Furniture / home goods
43%	Food and beverage

—INSIGHT

It's Time for Better Shipping Experiences

When you're ready to move from reactive damage control to a **proactive shipping protection** strategy, solutions like InsureShield® Shipping Insurance can help safeguard your reputation and bottom line.

Sustainability: Balancing Green Practices with Last-Mile Realities

Sustainability has shifted from an afterthought to a critical priority for both merchants and consumers. Today, **40% of merchants surveyed report that over half of their customers actively choose eco-friendly delivery options when available.**

Consumers Driving Green Logistics Adoption

Industries with 51%+ of Customers Choosing Eco-Friendly Options

56% High-end / luxury

50% Food and beverage

Despite the growing demand for sustainable delivery options, a glaring gap remains between intention and real-world execution. High costs and logistical challenges are preventing many merchants from fully adopting green shipping solutions.[9]

In response, businesses are tackling last-mile sustainability through:[10]

- **Eco-friendly packaging materials:** Minimizing plastic use and opting for recyclable or biodegradable alternatives.
- **Route optimization software:** Reducing mileage, fuel consumption, and carbon emissions.
- **Green carrier partnerships:** Aligning with delivery providers that offer electric vehicles, carbon-neutral services, or other eco-conscious initiatives.

92% of merchants surveyed are willing to pay a premium for greener shipping options.

Moreover, 38% of merchants surveyed are willing to pay 6-10% more, but most struggle to balance eco-friendliness with profitability.

To offset expenses while maintaining environmental commitments, forward-thinking brands are exploring hybrid strategies, including:

- **Dynamic pricing models:** Sharing eco-friendly shipping costs with consumers through transparent, optional surcharges.
- **Localized fulfillment:** Leveraging micro-warehouses and regional hubs to cut transportation distances.
- **Consolidated deliveries:** Grouping orders to reduce the number of trips and emissions.

Merchants who prioritize greener last-mile strategies, without sacrificing reliability or affordability, are best positioned to earn consumer trust and long-term loyalty.

Beyond Money: The Price of Delivery Mishaps is Customer Experience

The cost of last-mile failures extends far beyond financial losses—it directly impacts **customer trust, brand reputation, and long-term loyalty.** When deliveries go wrong, consumers notice, and their frustration often translates into **negative reviews, decreased repeat business, and increased operational headaches for merchants.**

75%

of consumers surveyed say their biggest frustration with last-mile delivery is late, missed, or left packages in unsafe locations.[3]

The Financial Strain of Last-Mile Mishaps

Package theft, damage, and loss have become an all-too-common reality, with 34% of surveyed consumers experiencing at least one mishap in the past year. **Millennials and Gen Z shoppers are particularly vulnerable, with 54% of those surveyed reporting multiple instances of porch piracy.**

For retailers, last-mile mishaps aren't just isolated incidents—they pose a growing financial strain. **Close to half (42%) of surveyed merchants report that at least 2-5% of their shipments suffer from damage, loss, or theft each quarter**. Larger enterprises with revenues exceeding $50M face even steeper losses.[5]

Industries Experiencing Significant Losses (Between 11-20% of Shipments)[5]

#1	High-end / luxury
#2	Apparel / shoes / accessories
#3	Furniture / home goods

With 73% of surveyed merchants covering these losses out-of-pocket due to disputes or lack of insurance, the financial burden is rising. Compared to those surveyed in 2022, this represents a **14% increase in unplanned expenses,** putting additional pressure on businesses to invest in risk mitigation strategies.[6]

The Brand Risk of Shipping Issues

Beyond money, an overwhelming **98% of surveyed merchants believe delivery experience affects brand reputation**, with 58% saying it's one of the most important factors. This makes handling consumer frustrations in the last-mile important for brands as they can heavily influence purchasing decisions.

Nearly two-thirds (61%) of consumers surveyed check reviews before making a purchase. Younger generations are even more cautious—74% of Gen Z and 73% of Millennial respondents routinely research retailer reliability before clicking "buy."

If a brand fails to resolve a shipping issue, a quarter (25%) of surveyed consumers hesitate to shop with them again, and nearly 44% of Gen Z respondents demand issue resolution before considering a repeat purchase.

Consumers' Biggest Frustrations in Last-Mile Delivery[3]

38% | Late or missed deliveries

37% | Package left in unsafe locations

34% | Lack of real-time tracking or updates

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The Last-Mile Blame Shift (2022 to 2025)

- Consumers no longer solely blame carriers when things go wrong.
- In 2022, **83% of surveyed consumers blamed shipping providers** for delivery mishaps.
- By 2025, that number has dropped to **39%**, as more shoppers now hold **merchants accountable** for ensuring a seamless delivery experience.
- **Takeaway:** Brands that fail to proactively manage **shipping visibility, customer communication, and risk mitigation** will bear the brunt of consumer dissatisfaction.

Conclusion

The evolving last-mile landscape presents both opportunities and risks for merchants. With the rising demand for speed and sustainability, businesses must innovate or risk falling behind.

Delivery mishaps—whether due to theft, damage, or delays—now impact more than just financials. They directly shape brand trust, customer satisfaction, and long-term loyalty.

To regain control of the last mile, merchants must adopt a resilient, data-driven approach, including:

- **Using advanced tracking technologies** for real-time shipping visibility.
- **Optimizing fulfillment strategies** to balance speed, costs, and sustainability.
- **Choosing reliable carrier partnerships** to ensure quality, secure delivery.
- **Leveraging comprehensive shipping insurance** to protect against financial losses and maintain customer trust.

The merchants that embrace innovation, transparency, and last-mile reliability will not just survive—they'll thrive in the future of eCommerce logistics.

UPS Capital offers comprehensive shipping insurance solutions designed to mitigate last-mile risks, ensuring merchants can deliver with confidence. By combining robust coverage with proactive risk management tools, UPS Capital empowers businesses to create a seamless, reliable, and resilient delivery experience—from cart to customer doorstep.

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.

Methodology: The *Taking Back Control of the Last Mile* report is based on a February 2025 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 February 2025.

Sources:

1. Size of the global last mile delivery market from 2020 to 2027 by Statista

2. **What is the most important factor when choosing a retailer for online purchases? Please rank in order of importance, with 1 being the most important factor to you and 6 being the least important.** ***All consumers.***

Ranking	Response	Percentage
#1	Fast delivery times	31%
#2	Low shipping costs	25%
#3	Reliable packaging (e.g., no history of damaged or incorrect/ fraudulent shipments)	18%

3. January 2025 Consumer Survey, conducted by Dynata and commissioned by UPS Capital Insurance Agency, Inc.

4. **What tools or technologies do you currently use to monitor and manage last-mile deliveries? Select all that apply.** ***All consumers.***

Response	Percentage
Real-time tracking and GPS software	25%
Delivery management platforms (Route, Shippo, etc.)	21%
Automated Customer notifications	19%
Manual processes (spreadsheets or direct carrier comms)	12%
None	0%

5. **What percentage of your shipments experience damage, loss, or theft quarterly?** ***All merchants.***

Response	Percentage
0–1% (Rarely happens)	12%
2–5% (Occasionally an issue)	42%
6–10% (A growing concern)	28%
11–20% (Significant operational challenge)	14%
More than 20% (A major and costly problem)*	5%

Enterprises whose revenue annually is more than $100M are the most likely to claim that over 20% of their shipments experience damage, loss, or theft quarterly, with 10% selecting that option

6. **Have you ever had to pay out of pocket to cover the cost of a lost, stolen, or damaged package due to carrier disputes or lack of coverage?** ***All merchants.***

Response	Percentage
(2025) Yes	73%
(2025) No	27%
(2022) Yes	64%
(2022) No	36%

7. **What technologies are you considering adopting within the next 2-3 years to monitor and manage last-mile deliveries?** ***All merchants.***

Response	Percentage
Advanced real-time tracking solutions	41%
AI-driven route optimization	32%
Automated customer communication platforms	16%
Sustainability-focused delivery platforms	11%
Other (please specify)	1%

8. **How much of your annual revenue do you estimate is lost or spent resolving claims for shipping mishaps (e.g. package damage, loss, or the)?** ***High-end / luxury merchants.***

Response	Percentage
Less than 1%	7%
1-5%	21%
6 - 10%	36%
11 - 20%	30%
Over 20%	7%

9. **What are the biggest challenges your business faces when implementing sustainable delivery practices? Please rank in order from 1-4, with 1 being the most challenging and 4 being the least challenging.** ***All merchants.***

Response	Percentage
High costs associated with sustainable practices	24%
Lack of customer demand for eco-friendly options	24%
Limited availability of sustainable carriers or materials	24%
Operational complexity in adopting sustainability measures	24%
None	4%

10. **How does your business currently address sustainability in last-mile deliveries (e.g., route optimization, packaging, carrier selection)?** ***All merchants.***

Response	Percentage
Use of eco-friendly packaging materials	35%
Route optimization software to reduce mileage	28%
Partnering with carriers that offer green delivery options	22%
Consolidating shipments to reduce carbon footprint	14%