

# Personalized Shipping Experiences:

## The Next Frontier for eCommerce

### The COVID-19 pandemic accelerated shoppers' desire to buy more online

– but as more packages are routed to homes and businesses across the nation, shipping mishaps have risen as well.

Small and medium businesses looking to be competitive must now contend with a volatile supply chain, inventory challenges, and rising rates of theft and damage. In this new landscape, the shipping experience has become more important to a brand's bottom line – and reputation – than ever before.

New data reveals that consumers are increasingly worried about missing and damaged packages. They're seeking more control and choices when it comes to the post-purchase experience. And they're willing to pay for newer services that provide that personalization – allowing them to dictate arrival timelines, track packages in real-time, purchase insurance to ensure packages arrive safely, and more.

These new preferences are a positive for business owners too. Small and medium businesses (SMBs) anticipate that meeting these demands for more personalization will actually help them increase their profits, and better compete.

By surveying both **shoppers and SMBs**, we've uncovered shipping's new frontier.



#### eCommerce sales surged

from 9.9% of total U.S. retail sales in 2019 to 13% by late 2021<sup>1</sup>



#### 210 million+ packages

disappeared from porches across America in 2021<sup>2</sup>



Since the pandemic began, UPS Capital has witnessed a **65% increase in paid claims**

This is driven in part by rising shipping mishaps – with a 107% increase in lost package claims, and a 78% increase in damage claims<sup>3</sup>

# The Most Valuable eCommerce Platforms and Marketplaces for SMBs

The vast majority of SMBs have pivoted to pursue a robust multi-channel eCommerce strategy, designed to reach a variety of shoppers where they are the most active.



**In fact, 97% of SMBs reported driving revenue across multiple online modes**, including social platforms, eCommerce marketplaces, their website, and brick and mortar. <sup>4</sup>



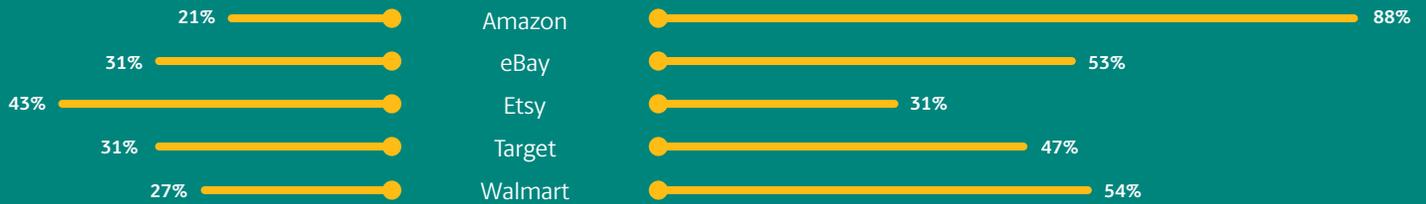
With this multi-channel approach comes a decreasing reliance on brick and mortar – **in fact, 85% of SMBs surveyed sell 25% or less of their revenue through brick and mortar**, while 12% don't sell through a physical storefront at all.<sup>4</sup>

Amazon is the most utilized marketplace for SMBs (93% reported using it), followed by Facebook (87%) and Instagram (81%) where the vast majority have an eCommerce presence.<sup>5</sup>

## Where Are SMBs the Most Active?



### B2B | MARKETPLACES | B2C

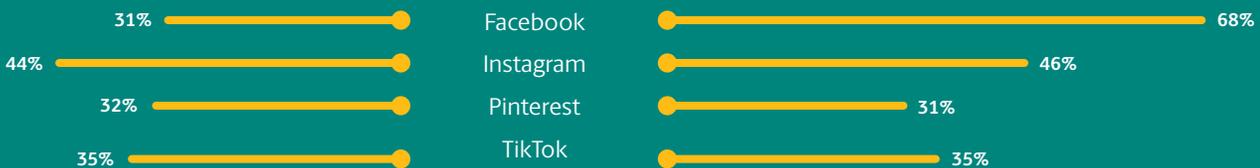


### B2B | PLATFORMS | B2C



This survey uncovered SMBs tend to rely more heavily on platforms such as Shopify, Weebly, BigCommerce, Wix and WooCommerce for B2B sales vs. B2C. When it comes to these platforms specifically, Wix ranked highest on customization (followed by BigCommerce) and control (followed by Shopify).<sup>6</sup>

### B2B | SOCIAL SELLING | B2C

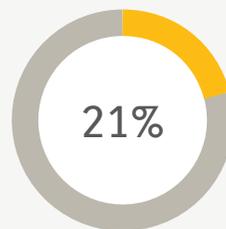




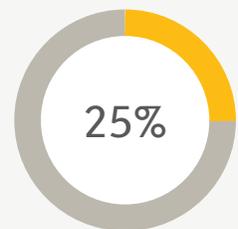
**The good news?** Overall, SMBs report being very satisfied with the capabilities of the eCommerce platforms and marketplaces they're using. When asked to rank the platforms/marketplaces they use on customization, ease of use, control, shipping, and profitability, the vast majority (upwards of 80%) said they had a positive or very positive experience with all those factors with all the platforms they were using.

When asked about revenue impact, SMBs reported that Amazon accounted for the highest percentage of their eCommerce revenue, followed by Facebook and eBay.

While **Facebook ranked #2** as a revenue driver for SMBs and **Instagram ranked #4<sup>7</sup>**, only...



of consumers said they were likely or very likely to shop on Facebook<sup>8</sup>



said they were likely or very likely to shop on Instagram<sup>8</sup>

Consumers ranked TikTok, Instagram and Pinterest as the platforms they would be the least likely to buy merchandise through.<sup>8</sup> This indicates that while shoppers might make purchases when they see targeted ads that appeal to them – and that drives revenue for SMBs – they still don't see these social platforms as “shopping destinations.” Social channels are not yet the first places shoppers think to look when they need to buy a product.

# The New Frontier: Personalized Shipping

Today, free shipping, two-day shipping and free return offers have become table stakes for eCommerce shippers looking to satisfy consumer expectations. However, this research uncovered shoppers are seeking something more as we look towards the future of eCommerce – and it all starts with more control over shipping.

**In short, consumers are now looking for more unique perks from online merchants, which presents an opportunity to differentiate.**

While two-day shipping has long been considered the eCommerce “gold standard,” today’s consumers have new priorities. The vast majority (80%) of consumers surveyed reported they would prefer other perks – such as last mile personalization, access to customer support and more – over two-day shipping or free shipping.

With nearly half (47%) of shoppers reporting that they would prioritize the guarantee that their product arrives safely or be immediately replaced over two-day shipping, it’s clear that supply chain risks are top of mind for today’s shoppers. Their concern about shipping mishaps outweighs their desire for speed – simply getting their order in prime condition has become their #1 priority.



**97% of SMBs**

believe that in the future, consumers will **prefer to have direct control over their shipping experience**, dictating the timelines and benefits that are most important to them.



**87% of consumers**

reported they would be **more likely to shop with a merchant if they could personalize their shipping experience** (i.e., they could pick which day packages arrive, could elect shipping insurance, could easily track packages in real time).

If shoppers could **personalize their shipping experience**, what would be the **most important perks** they would include?



**74%**

ability to track packages in real time



**72%**

pick exact package arrival date



**57%**

access to multiple cost-affordable delivery options



**56%**

special deals on favorite items



**51%**

ability to add shipment protection guarantees for lost, stolen, damaged items, including full-value reimbursement

Percentages refer to % of consumers who ranked this perk as either very important or important

# What would shoppers **prioritize** over **free and/or two-day shipping**?

Guarantee package **arrives safely** or **immediate replacement**

47%

**Greater control** over my shipping preferences

45%

**Easy, guaranteed, and quick access** to customer support

31%

Purchasing from a brand that **shares their values**

24%

I **wouldn't prioritize** anything over free/two-day shipping

20%

95% of SMB merchants also believe their customers would prioritize specific perks over 2-day shipping, however they underestimated the importance today's shoppers place on goods arriving safely (with just 36% of SMBs ranking that as the top perk compared to 47% of shoppers). SMBs anticipated that customers would value the ability to purchase from a brand whose values align with theirs the most (58%), but in reality, that ranked much lower for shoppers (24%).



Perhaps even more significantly, 69% - the vast majority of shoppers - are willing to pay for the ability to personalize, control and up-level their shipping experience.

They are looking for new services from merchants that would include guaranteed delivery timelines, real-time tracking, replacement of lost/stolen/damaged packages, and pre-order or special deal opportunities.

How much would shoppers be willing to pay per year for control and personalization over the shipping experience with a merchant they shop with often?

*Of that 69% that would be willing to pay...*

34%

would pay \$20-\$40 a year

14%

would pay \$40-\$60 a year

7%

would pay \$60-\$80 a year

8%

would pay \$80-\$100 a year

3%

would pay \$100-\$125 a year

3%

would pay \$125+ a year

Perks SMBs believe would have a **slight or significant positive impact** on their profitability:



**89%**

Consumer could dictate date of delivery



**88%**

Consumer could track packages in real time



**87%**

Consumer could pick up/return items in store or online



**86%**

Consumer could select and pay for insurance coverage of packages, providing guaranteed replacement in the event of loss, theft, or damage

SMBs also believe they could increase profitability by giving consumers greater control over the shipping experience, whether that's due to charging them a fee for these new services, or simply by generating more sales. SMBs anticipate that giving consumers the choices they want will have a positive impact on their bottom line.

There are some interesting discrepancies between what merchants anticipate their customers would prioritize as a perk, vs. what shoppers think. SMBs undervalued the importance shoppers would place on guaranteed insurance coverage of all packages (including lost, stolen, damaged packages) – indicating that consumers care more about shipping insurance than merchants anticipated.



Only **46% of merchants** think their customers would value guaranteed insurance coverage of all packages the most, when in reality **56% of consumers** value that the most.



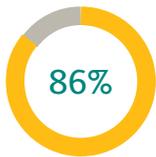
# Shipping Mishaps are a Rising Risk to Business Reputations

With porch piracy and shipping mishaps on the rise since the pandemic, the last mile is quickly becoming the most important touchpoint in the customer experience. Incidents that happen in the last mile – such as damage, loss or theft – are a major driving force behind what prompts customers to leave negative reviews.

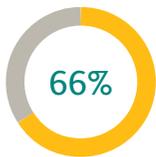
Part of this increase may be due to trends like drop-shipping. While it has helped SMBs meet customer needs more quickly, it can also drive increased shipping risk - as SMBs do not have visibility on the inventory before it goes directly to the consumer.



**72%**  
of SMBs  
report that shipping incidents like porch piracy, loss and damage have **negatively impacted their business' customer reviews** in the past year.



86% of SMBs report either a **significant or slight increase** in use of drop-shipping since the pandemic began in 2020.



66% also report experiencing **more loss, theft or damage** with drop-shipments compared to shipments coming directly from their business.



Overall, the shipping experience is becoming a larger pain point for consumers. In fact, the data shows the **top reason a shopper would bother to leave a negative review is if a package was damaged or never arrived.**

In which situations would consumers be **likely or very likely** to leave a negative review?



**66%**

Package was damaged or never arrived



**56%**

Negative experience with customer support



**51%**

Item didn't meet expectations around quality



**41%**

Returns process was difficult or a hassle

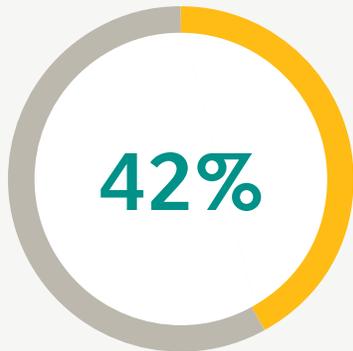


**40%**

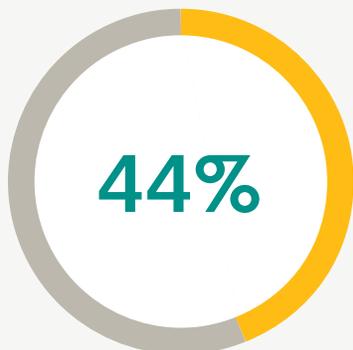
Shipment was delayed/took longer than expected

# Protecting Your Profitability

Businesses that are experiencing increases in negative reviews due to shipping mishaps have their brand reputation and profitability on the line. Customers who leave negative reviews are often unlikely to purchase from that brand again, which hurts an SMB's bottom line. For this reason – and many others – SMBs feel strongly that shipping insurance could help positively impact their profitability.



of SMBs believe shipping insurance could drive a **6-10% revenue increase**



of SMBs believe shipping insurance could drive a **11-20%+ revenue increase**

## How Shipping Insurance Impacts Profitability:

- ▶ Provides confidence to reship/credit in the event of a loss, damage or porch-pirated theft
- ▶ Reduces time spent on claims and managing customer inquiries
- ▶ Provides up to the full invoice value of the goods (plus freight) to minimize out of pocket losses
- ▶ Can provide shopper confidence in shipping process, helping improve purchase intent at checkout
- ▶ Helps mitigate negative reviews with coverage for expedited reshipment\*

\* Expedited reshipment reimbursement for up to 20% of the insured value of the goods. Individual policies may vary.

Medium-sized businesses (those making \$5M-\$100M) compared to smaller businesses were more likely to note that a larger percent of their profitability would be positively impacted by adding shipping insurance.

SMBs, who reported feeling very well supported by the eCommerce marketplaces and platforms they use, do feel as though shipping insurance is an area where they need more support. To help mitigate rising negative reviews – and potentially transfer some of these costs to shoppers – they are seeking options for consumers to add their own consumer-paid package insurance.



When it comes to **mitigating negative reviews**, how could platform/marketplace partners better support SMB's?

Enable consumer-paid package insurance to **quickly address lost, stolen, or damaged shipments**

67%

Offer customer service support as an **added value service** for merchants

49%

Only **engage trusted partners** in the fulfillment process

46%

Offer **more helpful online tracking information** for shoppers to track their packages

43%

Offer **consistent shipping notifications** to keep shoppers informed throughout the process

16%



# The Demand for Consumer-Elected Shipping Insurance

Consumers want choices – and not just around dictating package arrival. They're also actively seeking options to protect the items they buy online. Meanwhile, merchants expressed even stronger interest in consumer-elected shipment insurance, not only because it shifts costs to the shopper, but because they recognize it provides the confidence to reship or reimburse their customer, which benefits their reputation as well.



## 65% of consumers

would be interested in the option to add shipping insurance themselves for specific online orders



## 95% of merchants

would be interested in offering customers the option of purchasing shipping insurance for their packages in the event of loss, theft, or damage

### Consumer-paid shipping insurance features found attractive or extremely attractive by SMBs:

- 89%** Would enable me to refer my claims process to an insurance provider for quick & easy claims resolution
- 89%** Ability to transfer the cost of shipping insurance to my customer
- 88%** Ability to include consumer-elected shipping insurance in my online checkout cart
- 86%** Provides another feature of service
- 85%** Enables customers to pay for coverage if they'd like it

# A New Landscape for SMBs

SMBs have long struggled to balance their business expenses while offering the convenience and speed that today's shoppers expect. Many of them lack the supply chain infrastructure that bigger eCommerce players have, making it more difficult to deliver on quick-turn or free shipments – which, in turn, impacts shopper preferences.

While free shipping is currently what's preventing over half of consumers from shopping with SMBs, there's good news. This research indicates they're willing to pay to close the gap, in exchange for personalizing their shipping experience. It is also interesting to note that

**SMBs that *don't* offer guaranteed protection of lost, stolen or damaged items are losing out on sales – as this ranked as the second top reason a consumer may choose to not shop with a SMB.**

Shoppers expect what they purchase online to arrive in premium condition but given the turmoil of today's supply chain and the rise of trends like porch piracy, it can be difficult for SMBs to deliver on that with every order. Shipping insurance is an easy, quick way to provide peace of mind in this area, for SMBs and shoppers alike.

While 2-day shipping has long been the industry standard, giving consumers back control over the shipping experience will be the new frontier of eCommerce. **Eighty percent of today's consumers would prioritize other perks over 2-day shipping – indicating it's no longer the eCommerce "holy grail."** In addition to personalization perks, giving shoppers more opportunities to protect the items they order online will help quell increasing last-mile anxieties.

Those SMBs who pivot their offerings to give consumers more control will gain a competitive edge in the process. While the desire for personalization is nothing new, to date eCommerce businesses haven't prioritized the shipping experience as the place to innovate and offer shoppers more options. Savvy SMBs that work to deliver on these emerging last-mile preferences will see it pay off as a major competitive differentiator.

What are the most important factors **preventing consumers** from shopping with SMBs online?



**52%**

No free shipping



**28%**

No guaranteed protection of lost, stolen or damaged items



**27%**

No free returns



**20%**

No two-day or timely shipping



**17%**

No ability to pick up in-store

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

## Methodology

*Personalized Shipping Experiences: The Next Frontier for eCommerce* report is based on a January 2022 survey conducted by Dynata of 500 U.S. SMBs making \$750K to \$100M in revenue. This report also includes findings from a survey of 1,000 U.S. consumer respondents aged 18+ on shipping experience preferences, also conducted in January 2022.

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## Citations

1 <https://www.bloomberg.com/news/newsletters/2022-01-11/supply-chain-latest-covid-e-commerce-boom-sees-warehouse-demand-soar>

2 <https://www.safewise.com/blog/metro-areas-porch-theft/>

3 Figures are based on aggregate insurance claim payment data collected by UPS Capital Insurance Agency, Inc. during 2019-2021.

4 SMB Survey: What percent of your revenue do you estimate is sold through the following channels? Your answer must calculate to 100%.

	25% or less of revenue	26-50% of revenue	51-75% of revenue	75-100% of revenue
<b>Website</b>	48%	43%	5%	3%
<b>Marketplaces</b>	58%	39%	1%	0%
<b>Social Platforms</b>	72%	24%	0%	0%
<b>Brick and Mortar</b>	85%	9%	2%	0%

5 SMB Survey: Which eCommerce platforms and marketplaces do you currently use to sell to consumers, or other businesses (B2B)? Check all that apply.

Platform	Use to Sell to Either Consumers or B2B
Amazon	93%
BigCommerce	65%
eBay	74%
Etsy	69%
Facebook	87%
Instagram	81%
Pinterest	60%
Shopify	70%
Target	71%
TikTok	65%
Walmart	72%
Weebly	42%
Wix	42%
WooCommerce	42%

6 SMB Survey: Rate the following eCommerce platforms and marketplaces on how well they support your business. Results represent respondents who are well supported or very well supported.

Platform	Ease of Use	Customization	Control	Shipping	Profitability	AVERAGE %
Amazon	88%	89%	90%	89%	89%	89%
BigCommerce	83%	85%	81%	84%	84%	83%
eBay	84%	84%	84%	83%	86%	84%
Etsy	81%	79%	81%	76%	80%	79%
Facebook	85%	86%	86%	84%	85%	85%
Instagram	85%	89%	86%	83%	85%	86%
Pinterest	78%	82%	80%	81%	80%	80%
Shopify	80%	84%	84%	84%	80%	82%
Target	84%	84%	88%	85%	85%	85%
TikTok	82%	84%	83%	79%	81%	82%
Walmart	88%	86%	87%	89%	88%	88%
Weebly	79%	82%	79%	82%	82%	81%
Wix	82%	86%	85%	85%	86%	85%
WooCommerce	82%	83%	83%	86%	84%	84%
<b>AVERAGE %</b>	83%	85%	84%	84%	84%	

7 SMB Survey: Which eCommerce marketplaces and social platforms account for the highest percentage of your eCommerce revenue? Results illustrate total respondents who ranked the platform as a top revenue driver (ranking #1, #2 or #3).

Platform	How Many Respondents Ranked the Platform as a Top 3 Revenue Driver (no. of votes)
Amazon	397
Facebook	235
eBay	202
Instagram	179
Target	123
Etsy	95
Pinterest	52
TikTok	43

8 Consumer Survey: How likely are you to purchase merchandise through the following eCommerce marketplaces and social channels?

Platform	% of Consumers who reported they are likely or very likely to purchase merchandise
Amazon	80%
Walmart	66%
Target	55%
eBay	47%
Etsy	34%
Facebook	25%
Pinterest	23%
Instagram	21%
TikTok	18%