

# STATE OF SHIPPING REPORT



# Contents

State of Shipping Report 2023

Intro	03
Key Findings: 5 Tactics to Help Merchants	04
Online Shopping Shows No Signs of Slowing	06
Fulfillment Costs Remain the #1 Key Concern for Merchants	08
Meeting Consumer Expectations in 2023	11
Conclusion	17
About Shippo	18



# INTRO



Since the onset of the Covid-19 pandemic, drastic change has without a doubt been the only constant – and in 2023, that continues to be the case.

Today's e-commerce landscape has not been immune, as market concerns have shifted from supply chain disruptions and delivery delays to changing consumer spending habits brought on by last year's rising inflation and a looming recession:

- The Consumer Price Index [rose 6.5% year-over-year](#) from December 2021 to 2022.
- U.S. retail sales fell 1.1% in December 2022 – the biggest [month-over-month decline](#) in a year.
- 83% of e-commerce businesses are very concerned about [the risk inflation poses to growth](#), and 82% say high inflation is forcing them to cut costs.

But it's not all doom and gloom for e-commerce merchants this year. While consumers are poised to cut back on discretionary spending in 2023, they also promise to remain loyal to the brands that treat them well. We at Shippo recently surveyed over 2,000 e-commerce merchants and consumers for our 6th annual State of Shipping Report, and found that this year – while merchants certainly feel the crunch to optimize fulfillment costs – there are plenty of opportunities to get creative with shipping and other strategies to satisfy customers' evolving expectations without sacrificing their own profit margin goals.

With this in-depth merchant and consumer survey data, we can foresee that while 2023 might not be another year of record-shattering e-commerce growth, it will provide merchants the chance to build more resilient businesses, find creative ways to acquire more customers, and turn first-time buyers into lifelong brand advocates.

# KEY FINDINGS: 5 TACTICS TO HELP MERCHANTS

## **DRIVE MORE CONVERSIONS BY PROVIDING SHIPPING POLICY DETAILS AND FULFILLMENT OPTIONS UPFRONT:**

Communicating your shipping and e-commerce return policies clearly and upfront, and offering a variety of fulfillment options to suit differing preferences, can gain consumer trust and inspire more confident purchases.

## **INCENTIVIZE FREE SHIPPING THROUGH MINIMUM SPEND THRESHOLDS OR LOYALTY PROGRAMS TO INSPIRE AND REWARD LOYALTY:**

Instead of offering this perk across the board, including free shipping after a certain spend threshold is met or as a loyalty perk can help you strike the right balance between meeting high expectations, while also saving more broadly on shipping costs by rewarding customers who shop and spend regularly.

## **PROVIDE A SEAMLESS E-COMMERCE RETURNS EXPERIENCE:**

Even if universal free returns aren't financially feasible, providing a convenient returns experience can help you differentiate your business and meet today's consumer expectations to keep your customers coming back.

## **OFFER PRE- AND POST-PURCHASE PEACE OF MIND WITH ORDER TRACKING AND INSURANCE:**

Help customers feel more confident in their purchases by protecting e-commerce orders with shipping insurance and keeping buyers in the loop with tracking updates at every step of the way, from purchase to delivery.

## **IMPLEMENT A MULTI-CARRIER STRATEGY AND BETTER TECH TO HELP DRIVE DOWN AND OPTIMIZE BUSINESS SPEND:**

By comparing more rates across a variety of carriers and service levels, you can ensure you're choosing the most cost-effective option for every order. If you haven't already, 2023 is a great time to explore a multi-carrier strategy because of benefits afforded by increased ground competition, competitive pricing, and a variety of new service levels offered by carriers. A multi-carrier solution such as Shippo can help you identify the most optimized choice when comparing cost, reliability, and service levels. In addition, streamlining label purchasing and other fulfillment workflows with better technologies and more automations leads to more efficient processes, optimizing for further savings.

# THE STATE OF SHIPPING 2023

## KEY FINDINGS

---

**45%**  
OF CONSUMERS

45% of consumers want a retailer to let them know when an order is delivered, and 42% said their willingness to shop with a retailer again if a package is lost depends on how the merchant responds to or resolves the issue.

**47%**  
OF CONSUMERS

47% of consumers will spend a minimum amount to get free shipping, creating an opportunity to meet expectations while increasing AOV (Average Order Value)

**<50%**  
OF MERCHANTS

While consumers flagged it as one of the top two details they want to see on a product or checkout page, the average shipping time is communicated by less than 50% of merchants, presenting a chance to differentiate your offering and drive more sales.

**45%**  
OF CONSUMERS

While 45% of consumers said free return shipping is most important to them when purchasing an item online, roughly ¼ said it's the ease of processing a return.

**11%** ORDER'S  
TOTAL  
VALUE

The #1 challenge for e-commerce merchants is the cost of shipping, and 44% spend over 11% of an order's total value on shipping.

### About the Surveys

Merchant data is based on survey responses collected through email from 1,191 e-commerce merchants spanning multiple retail categories, including apparel, food products, jewelry, and electronics. Consumer data is based on responses from 1,000 US-based e-commerce shoppers and was gathered by a third-party survey platform. Both sets of data were collected from November 10-December 14, 2022.

# DESPITE ECONOMIC UNCERTAINTY,

# ONLINE SHOPPING SHOWS

# NO SIGNS OF SLOWING

While inflation woes and fears of a looming recession may impact its rate of growth, e-commerce doesn't appear to be losing traction in 2023. In fact, 60% of consumers we surveyed said they do at least half their shopping online – compared with 41% the previous year – while 61% prefer to purchase online when given the choice.

While there's no doubt consumer spending habits are shifting and will likely continue to do so throughout the year, digital experiences are still king when it comes to where and how today's consumers shop.

Even in increasingly difficult times, because consumers are still doing most of their shopping online, there are still plenty of opportunities to attract and retain customers who

will remain loyal to your brand and help grow your e-commerce business. In an economic downturn, however, there is an inherent need for merchants to be more cautious, resourceful, and flexible.

The key to recession-proofing your e-commerce business is to focus on driving operational efficiencies and optimizing costs wherever possible throughout the fulfillment journey, from pre- to post-purchase and beyond. At the same time, today's e-commerce merchants must take consumer expectations and needs into account if they want to succeed in a world where belts are tightening.

# 60% vs 40%

Prefer Buying Online  
vs In-store

## HOW OFTEN DO YOU SHOP ONLINE VS IN-STORE?

- **28%**  
I do all or almost all of my shopping online
- **22%**  
I do less than half of my shopping online

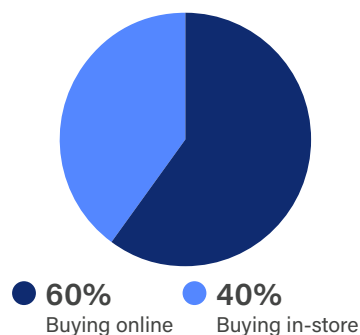
- **31%**  
I do more than half of my shopping online
- **19%**  
I shop online about as often as in person



- **25%**  
I do more than half of my shopping online
- **24%**  
I shop online about as often as in person

- **35%**  
I do less than half of my shopping online
- **16%**  
I do all or almost all of my shopping online

## IF GIVEN THE OPTION, WHAT IS YOUR PREFERRED METHOD FOR MAKING PURCHASES?





# FULFILLMENT COSTS REMAIN

## THE #1 KEY CONCERN

## FOR MERCHANTS



As in previous years, the cost of shipping remains the number one challenge for e-commerce merchants, both looking back at business operations in 2022 and further ahead into 2023.

### In 2022, what has been the biggest challenge for your business?

- 41% - Cost of shipping
- 12% - Supply chain delays
- 11% - Decreased consumer spending
- 9% - Customer acquisition

### In 2023, what do you anticipate being the biggest challenge for your business?

- 36% - Cost of shipping
- 20% - Decreased consumer spending
- 13% - Customer acquisition
- 8% - Supply chain delays

Differing from previous years, however, shifting consumer behaviors such as decreased discretionary spend are becoming a rising cause for concern, while the supply chain and carrier delay woes common throughout the past several years – a result of the Covid-19 pandemic – are taking more of a backseat.

- 21% of merchants say supply chain disruptions are still regularly impacting shipping operations vs 38% in 2021
- 21% are still experiencing more package delays vs 53% in 2021

While inventory will likely be easier to secure this year, we still recommend merchants place orders for their more popular products ahead of time to ensure there's minimal risk of running out, especially in uncertain times. By anticipating low inventory levels, you'll ensure those products are always available for the customers looking to purchase – or re-purchase.



Merchant confidence in shipping operations remained fairly steady year-over-year – and in fact fewer merchants said they are not feeling confident about shipping operations – likely due to a lessened impact of delivery delays on the end consumer’s experience as supply chain disruptions eased in 2022.

- **46%** of merchants are somewhat confident in their current shipping operations vs 45% in 2021
- **9%** are not confident or somewhat not confident vs 13% in 2021
- **28%** are very confident vs 27% in 2021
- **17%** responded No opinion

But while confidence in operations has remained fairly static, we can see that in 2023, optimizing for cost savings and improving profit margins are top of mind for merchants wary of a possible recession and the resulting decrease in discretionary spend.

### What keeps you up at night when it comes to readying your business for 2023?

- **23%** - Looming recession
- **20%** - Consumers cutting out discretionary spending

With concerns around consumer spend plaguing merchants more in 2023 than the past few years, it’s important to consider new strategies that can help you sell more products, for instance implementing a diverse channel mix to

sell through multiple marketplaces or social and live-selling channels in addition to an e-commerce platform. You might also consider diversifying or expanding your product offerings as well as demand ebbs and flows across categories, or differentiating your fulfillment offerings – through a more consumer-friendly returns experience, for instance – to gain a competitive edge in a tighter market.

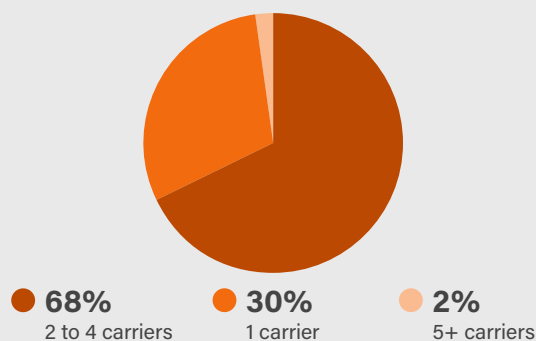
Just as consumers look to spend less in 2023, merchants are also searching for ways to drive down their own business costs. As mentioned above, shipping is one area where merchants have historically faced challenges as they find ways to save and optimize costs. In our latest survey, one-third of merchants said they spend 6-10% of an order’s total value on shipping, while another one-third spend anywhere between 11-20%.

### On average, 34% of merchants spend 11-20% of an order’s total value on shipping

- **32%** spend 6-10%
- **21%** spend between 1-5%
- **13%** spend >20%

One place for e-commerce merchants to start saving on fulfillment costs is by exploring a multi-carrier strategy, which provides access to diverse benefits across carriers stemming from increased ground competition, competitive pricing, and a variety of new service levels. A multi-carrier strategy can help ensure each label purchase is optimized to meet your cost, service level, and reliability concerns and needs.

## HOW MANY SHIPPING CARRIERS DO YOU WORK WITH?





## Multi-carrier shipping solutions such as Shippo enable merchants to compare rates across a vast network of carriers

Today's e-commerce merchants may be hindering their ability to optimize shipping costs by limiting the number of carriers they have access to at one time. The best-suited carrier to deliver a package can change depending on several factors including its weight, size, and the distance it will travel, and each carrier will offer different service levels and rates after these factors are taken into consideration. Because of this, the only way to determine the most cost-effective option for any given e-commerce order is to compare all available rates across carriers in real time.

While 68% of e-commerce merchants are utilizing 2-4 carriers, just shy of one-third are only utilizing a single carrier for every shipping need, and only 5% are using five or more. This showcases a broad opportunity for further savings – by comparing more rates across more carriers and service levels businesses can ensure they're choosing the most cost-effective option for every order. In addition, comparing multiple carriers and service levels allows you to choose options that provide more optimal time-in-transit reliability, which translates to a more delightful delivery experience for the end customer and more loyalty down the line.

Comparing carrier rates and service levels helps e-commerce merchants determine which options are the best to meet their and their customer's needs at any given time, but you need the right technology in place to do so in a way that's both time and cost-effective. Multi-carrier shipping solutions such as Shippo enable merchants to compare rates across a vast network of carriers in real time, and seamlessly integrate with e-commerce platforms to sync order data for more efficient end-to-end fulfillment. Our top-tier support team also works with merchants consultatively, helping them identify the most optimal carrier and service level to meet their needs when comparing price, reliability, and time-in-transit requirements.

By helping optimize shipping costs and drive process efficiencies throughout the fulfillment journey, solutions such as Shippo enable merchants to refocus more of their business efforts on newly-looming challenges this year, such as meeting a more discerning consumers' expectations in an evolving economic landscape.

# MEETING CONSUMER EXPECTATIONS

## IN 2023: FULFILLMENT STRATEGIES

### THAT INSPIRE CONVERSIONS & LOYALTY

With worry about decreased consumer spending growing this year, winning customers over to keep them coming back is more crucial than ever. The critical question today's e-commerce merchants should be asking centers around how to implement delightful and cost-effective fulfillment strategies that drive loyalty and repeat purchases without eating away further at profit margins.

#### Different strokes for different folks: The importance of delivering choice at checkout

Providing shipping options within your checkout experience – whether via free or cheaper versus fast shipping, or even letting a consumer decide on a specific carrier – can help drive more purchases and inspire ongoing customer loyalty by delivering great e-commerce experiences that meet a variety of consumer preferences.

The amount of consumers who refuse to compromise on free shipping is up year-over-year, with 62% saying they won't purchase with a retailer this year if the offering isn't on the table, and just 3% saying shipping costs don't matter at all to them.



On the flip side, fewer merchants are offering universal free shipping this year versus the previous year when 22% always offered free shipping and 18% offered free shipping most of the time, while just 30% occasionally offered free shipping.

### Do you offer free shipping?



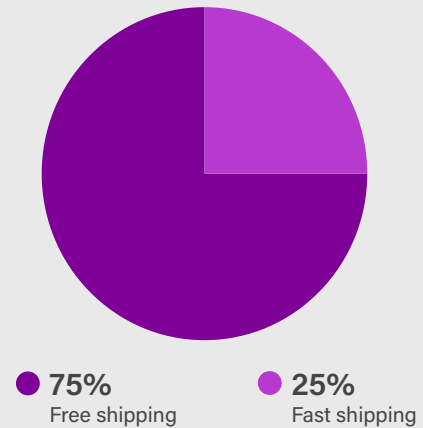
Consumers want free shipping, but with shipping costs holding strong as the top challenge for merchants, few are able to offer it across the board without taking a huge hit to their profit margins. However, there is wiggle room for merchants who are willing to approach this consumer expectation creatively.

Merchants who aren't able to provide free shipping for every order should consider offering it as a loyalty incentive, as 42% of consumers said they would join a loyalty or membership program in exchange for the perk. In addition, 47% said they would spend a minimum amount on a purchase in order to qualify for free shipping, opening more opportunities for merchants to both drive conversions and increase the average order value with the offering provided only after a certain threshold is met.

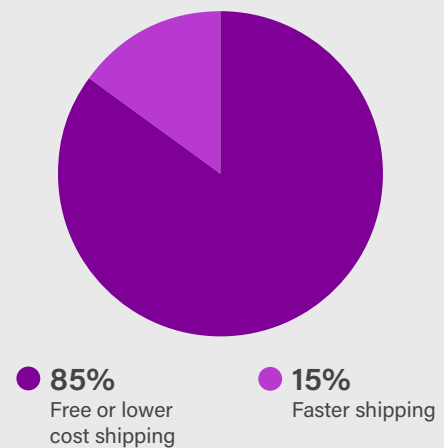
### In order to get free shipping:

- 47% will spend a minimum amount on the purchase
- 42% will join a loyalty or membership program
- 30% will wait to purchase the item during a promotion

### When given a choice, do you prefer free or fast shipping?



### Do more customers opt for faster or lower cost/free shipping options?



Today's merchants have a good understanding of consumer expectations when it comes to fulfillment, as merchants and customers are largely aligned on how shipping speed factors into an e-commerce buying decision, as well as the importance of striking the right preferential balance between lower cost versus faster shipping. In fact, the need for speed has dropped from our previous year's consumer survey, with just 10% desiring same or next-day delivery in 2022 versus 18% in 2021.

### What is your preferred shipping speed when you buy item(s) online?



- **52%**  
I can wait 2-3 days
- **38%**  
I can wait 4-7 days
- **10%**  
I want same day or next day delivery



- **48%**  
I can wait 2-3 days
- **34%**  
I can wait 4-7 days
- **18%**  
I want same day or next day delivery

### What is the most commonly-purchased shipping service level?



- **44%**  
2 to 3-day service
- **27%**  
We don't offer options
- **24%**  
4 to 7-day service
- **5%**  
Same or next-day delivery

- 1/3 of consumers have a personal preference for which carrier delivers an order
- 74% of merchants don't offer any carrier choice at checkout

Beyond shipping costs, having a diverse carrier mix allows you to provide more delivery options at checkout. Different customers may have varying preferences on the service levels or carriers you have to offer. For example, some customers may want to receive their packages on a Sunday or want their international packages delivered a certain way. Giving them more of a say in the matter ensures they have a positive post-purchase experience and are more inclined to shop with you again.

## Communicating throughout the fulfillment journey, from pre to post-purchase

No matter which shipping services you have on offer, upfront and clear communication throughout your e-commerce fulfillment journey can help drive more confident purchases, save time and money on customer support activities, and inspire more trust in – and loyalty to – your brand.

Before deciding whether to commit to a purchase, consumers are hungry for information about what they can expect from a retailer's fulfillment experience.

### What information is most important to see on a retailer's website?

- #1 Shipping cost
- #2 Avg shipping time
- #3 When the item will ship
- #4 Expected delivery date

While just 73% of merchants surveyed are providing information about the cost of shipping upfront, less than half are letting potential customers know the average shipping time, expected delivery date, and item ship date on their product or checkout pages.

### What information is provided on the product and/or checkout page?

- 73% Shipping cost
- 49% Avg shipping time
- 33% Expected delivery date
- 33% When the item will ship

These discrepancies between what consumers want and what e-commerce merchants currently provide highlight a key opportunity for better alignment. This year, merchants should work to include expected shipment and delivery details upfront on product or checkout pages, inspiring more confidence in purchases that lead to both more revenue and higher potential for repeat customers.

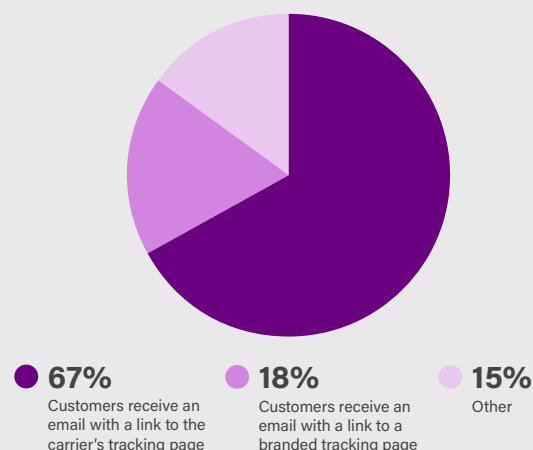
Consumers also want to be notified of a package's journey after they commit to a purchase all the way through to delivery:

## When do you want a retailer to communicate with you about your order?

- 68% want a retailer to communicate with them when a purchase has shipped
- 66% want an order purchase confirmation
- 59% want to receive shipping updates
- 45% want a retailer to communicate with them upon delivery

These touchpoints offer several more opportunities for merchants to connect with customers even after the initial purchase, and yet – as our merchant survey results show – one oft-missed opportunity is to provide branded tracking information for each touchpoint. Only 18% of survey respondents said their tracking emails lead customers to a branded page with delivery updates, while the majority link directly to a carrier's website.

## How do you provide customers with tracking information?



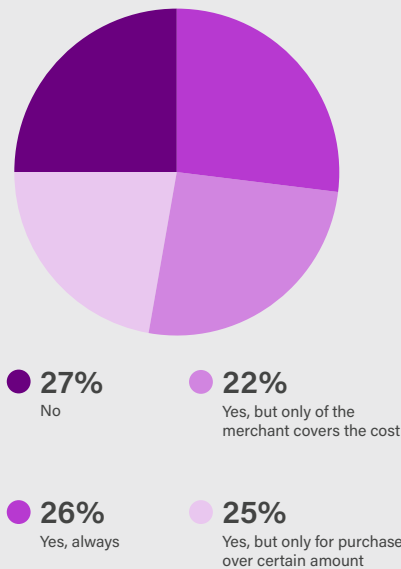
By providing branded tracking pages, you can take an additional opportunity to stay top of mind by extending their brand experience throughout the entire e-commerce journey instead of directing customers away to a third party.

**Because 39% of customers track their online orders once per day**, branded tracking pages offer an excellent chance to re-engage with customers who've made a purchase with you. For instance, **enabling branded tracking in Shippo** allows merchants to highlight their unique brands, recommend specific products, and promote repeat store visits and purchases with every order tracking update.

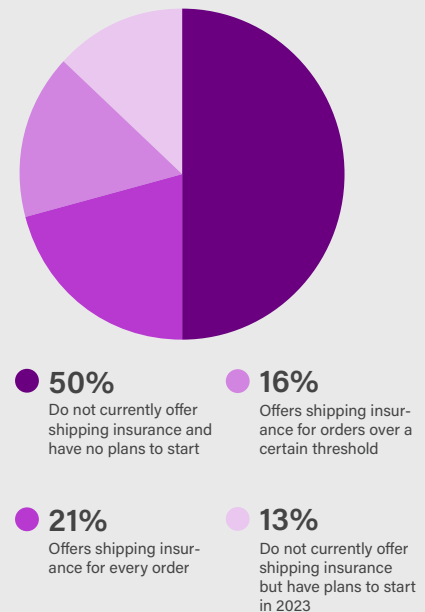
# Delivering convenience and peace of mind inspires loyalty, trust, and confidence

When it comes to packages gone missing, a consumer's delivery experience – and the way a merchant responds to mishaps – can make or break the relationship. **19% of consumers said they would stop shopping with a retailer after experiencing a delivery issue where a package is lost, while 42% said their willingness to shop with a retailer again in such circumstances depends on how the merchant responds to or resolves the issue.**

If given the option, would you add shipping insurance to your purchase order at checkout?



Do you offer shipping insurance to customers?



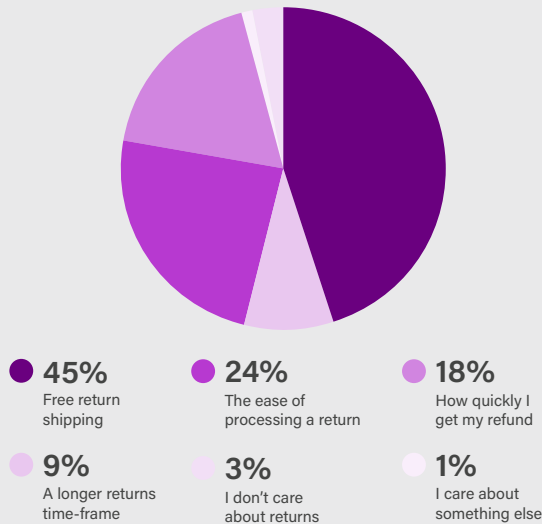
In-transit damage and lost packages are just part of e-commerce, so adding insurance to orders is a great way for e-commerce merchants to give their customers that peace of mind, and that positive resolution should something happen.

- **Half of consumers say the merchant should cover the cost of shipping insurance.**

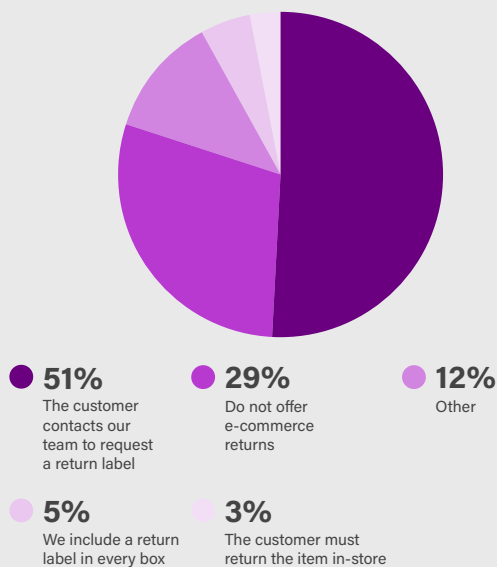
But there's a discrepancy here – while 50% of consumers say the merchant should cover the cost of shipping insurance, showing the desire for package protection and the expectation that the merchant should cover the cost. However, half of the merchants we surveyed do not currently offer shipping insurance and have no plans to start. This highlights an opportunity for merchants who want to provide that peace of mind to their customers to differentiate their offering and stand out from the pack.



## Which of the following is most important when it comes to returning an item you bought online?



## How do you handle return shipping?



[According to Shippo's 2022 E-commerce Returns & Exchanges Report](#), 84% of consumers read a return policy before making a purchase online, and 91% of consumers say that the overall ease of their [returns experience impacts their willingness to shop with a retailer again](#). While free returns may take the cake for consumers – and many smaller merchants are willing to take on the burden of paying for e-commerce returns to maintain positive customer relationships – there's no doubt this often comes at a high cost, especially when you consider [consumers returned \\$816 billion worth of merchandise in 2022](#).

While universal free returns are nice in theory, in practice – much like with free shipping – it's hard for a small e-commerce business to justify eating the cost. The good news is that consumers are willing to remain loyal to brands that offer a more convenient returns experience as well – it all depends on how your business crafts your policy and manages the end-to-end process.

Over half of e-commerce merchants we surveyed said they require a customer to contact support in order to initiate a return, and just under one-third don't accept e-commerce returns at all. Just 5% include a return shipping label in every box, offering a huge opportunity for merchants to differentiate their returns experience and incentivize more conversions with a more attractive, consumer-friendly policy.

As with the cost of shipping, merchants will need to get more creative this year with how they anticipate and accept returns to minimize the risk to their business, whether through the pre-purchase experience (providing more detailed information on product pages, or creating FAQ sections to address common complaints, misconceptions, and points of feedback), or the returns experience itself (incentivizing an exchange in lieu of a return by offering extra credit for later use in your store, for example).

# CONCLUSION

This year is poised to challenge retailers of all sizes to revisit their e-commerce business strategies as economic factors shift and consumer behaviors change accordingly.

As we move further into 2023, it's crucial that e-commerce merchants feel equipped to meet today's consumer expectations, while simultaneously making business decisions that help them save on fulfillment costs in a more frugal and competitive environment. Savings strategies that jeopardize the customer's experience can end up costing retailers more in the end, while those who strike the right balance will come out on top.





## ABOUT SHIPPO

E-commerce is complex. Shipping doesn't have to be. Shippo helps you grow your business by integrating with your workflows, providing experienced support, and connecting you with easy access to the best rates at the most carriers.



[goshippo.com](https://goshippo.com) | [sales@goshippo.com](mailto:sales@goshippo.com)