

# HOW TO MITIGATE TRANSPORTATION RISK

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**The issue of Supply Chain Risk** is garnering increased attention as manufacturing and distribution companies assess potential threats to their business.

Supply Chain risk encompasses different areas that can be complex and unpredictable. This presentation focuses on one area of the Supply Chain:

**Transportation Risk and the need to know about your carriers and their capabilities.**

# Why is the risk associated with transportation a threat to your company:

**Whether you know it or not, each one of your carriers creates the possibility of a supply chain disruption or worse, unwanted liability and damage to your reputation if they are involved in an accident, or fail to perform as promised.**

Additionally, within the transportation industry, shippers are experiencing an increase in the number bankruptcies, theft and fraud, as well as litigation involving multi-million dollar settlements.

Specifically, shippers can be forced to pay the bill when one of their carriers gets into an accident or loses a shipment and has too little insurance to cover all the damages. It doesn't matter that you didn't cause the accident or create the loss. What matters is that your pockets are deeper than your carrier's.

The average number of reported cargo theft incidents per day in 2012: **3.10**

**63%** of US shippers and brokers have been held liable when parties to trucking accident lawsuits – based essentially on their choice of carrier.

The latest and largest judgment awarded against a shipper/broker for hiring a carrier with safety and maintenance violations. **\$58.5** million

*of a sample 9,000 motor carrier crash settlements between 2005 and 2012*

**58%** of carriers carried only the standard \$750k BIPD insurance minimum *or less.*

# What is the risk?

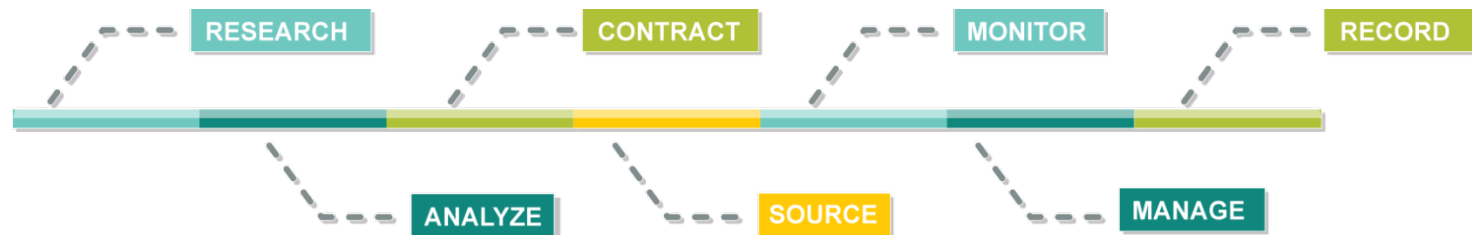
- Costly litigation
- Identity Theft
- Fraud / Cargo Theft
- Irreparable damage to your brand
- Disruption in service:
  - From your suppliers, or
  - Shipments to your customers
    - In a “Lean” environment, the impact of disruptions is magnified.



The key to mitigating transportation risk to your company is simple:

**You must know who you are doing business with and build forensic evidence which attests to the fact that you have done your due diligence in selecting your carriers.**

You can do that by making (and documenting) smart, safe decisions.



## Mitigating Transportation Risk

# Steps for Success

### 1. Research

Know who you are doing business with across all modes and regions, inbound and outbound to all of your locations

### 2. Analyze

### 3. Contract

Collect key carrier information to include Authority, Safety, Insurance and Financial – data is very important, leave no stone unturned

### 4. Source

### 5. Monitor

*For details regarding recommended data, email [theteam@shippershield.com](mailto:theteam@shippershield.com)*

### 6. Manage

### 7. Record

Subscribe to automated alerts that provide information on current fraud and theft threats ie. TIA, Cargo Net

## Mitigating Transportation Risk

# Steps for Success

1. Research

**2. Analyze**

3. Contract

4. Source

5. Monitor

6. Manage

7. Record

Determine what requirements/levels to enforce with your carriers – it is important to involve stakeholders in these decisions

Evaluate the information you have to determine if the carrier you are using or vetting meets your requirements

Collaborate with your carrier to determine if they *can* meet your requirements before making a decision



## Mitigating Transportation Risk

# Steps for Success

1. Research

Contract with ALL brokers and carriers that you source; do not rely on rate confirmations alone

2. Analyze

**3. Contract**

In a good contract, critical party-related provisions are clearly stated, such as:

4. Source

*Service commitments*

5. Monitor

*Rates and payment terms*

6. Manage

*Insurance requirements Indemnification*

7. Record

*Cargo loss and damage provisions*

*Limitations of liability*

*Claim filing time limitations*

## Mitigating Transportation Risk

# Steps for Success

1. Research

Re-engineer your 'Preferred Carrier Philosophy' – source based on best service, optimal cost *AND* low risk

2. Analyze

3. Contract

**4. Source**

Select brokers that can prove due diligence in sourcing on your behalf and avoid co-brokerage arrangements

5. Monitor

6. Manage

Be prepared to deny the hiring of carrier or discontinue use if they don't meet your requirements – no exceptions

7. Record

## Mitigating Transportation Risk

# Steps for Success

1. Research

Review the critical details you collect on your carriers on an ongoing basis – this information can change at any time

2. Analyze

3. Contract

There are free resources available to you to manually collect this information – consider the number of carriers you utilize to determine overall time and \$\$\$

4. Source

**5. Monitor**

An automated service will save you time and money and will be much more reliable – but they aren't all the same, be sure to look at long term cost/value

6. Manage

7. Record

## Mitigating Transportation Risk

# Steps for Success

1. Research

Deploy a documented, centralized policy that addresses risk adverse sourcing and educate your staff from a corporate level to all locations

2. Analyze

3. Contract

4. Source

5. Monitor

Develop communication procedures that notify all when a carrier is no longer 'OK' to use – consider employing corrective action when staff is not compliant

**6. Manage**

When you make the decision to continue using a carrier that may present a risk, be sure schedule follow-up review

7. Record

## Mitigating Transportation Risk

# Steps for Success

1. Research

Remember – documentation is key, your process and record of activity *is* your forensic evidence

2. Analyze

3. Contract

Ensure you are able to prove status of your carriers at the time of sourcing and at any time thereafter.

4. Source

5. Monitor

Contact valued carriers that may be able to provide documentation to dispute report. Ask the important questions:

6. Manage

*Is the issue real? Is the issue being addressed?*

**7. Record**

*Is there immediate corrective action that needs to be taken?*

# Questions and Answers?

Thank you for your time!