

LOGISTICS RISK MANAGEMENT (LRM)



The study of logistics risk management (LRM) helps analyze cargo losses during transportation. In addition, LRM shows organizations the measures they can take to prevent such losses.

The circumstances that lead to cargo losses differ for each organization, for example the method of transportation, and the cargo etc.

A few key areas, such as cargo, route, storage, driver, and vehicle, when studied, can help analyze the causes of cargo losses. Once the causes are known, all or most cargo losses can be prevented.

KEY LOSSES

Cargo transportation losses can be classified in terms of frequency and severity.

The most frequent cause of cargo losses are given below.

- Cargo breakage.
- Water damage.
- Handling and storage loss.
- Theft and pilferage.
- Chipping, denting, scratching, rusting, oxidation, and discoloration.

The most severe cargo losses are due to the following.

- Accident, overturning, and hijack.
- Natural catastrophic losses.
- Fire and piracy.
- Temperature variation, moisture, condensation, and contamination.

LOSS EXAMPLES

Cargo losses in transit can occur in many ways. The following are a few examples of how organizations have suffered:

- A company producing fast moving consumer goods was transporting cargo through the road. The vehicle carrying the goods was parked at a hotel on the highway for the night. Unfortunately, the tarpaulin that covered the vehicle was cut and the cargo stolen.
- Cement bags placed in a railway yard for further transportation were destroyed by unexpected heavy rain.

- Cargo in pallets was loaded in a container by a company. During transit, the container together with the carrying vehicle overturned. An investigation revealed that the cargo that was inside the container was not lashed, which resulted in cargo shifting to one side of the container. Unable to maintain its balance, the vehicle overturned.
- Cartons stored one above the other without separator sheets, led to bulging and the stacks collapsed during storage.

LRM OFFERINGS

The Marsh Risk Consulting (MRC) team assesses exposures, and measures the likely losses. For unacceptable exposures, the team recommends cost-effective engineering solutions.

The following are the service offerings provided by the MRC team for logistics risk management.

CARGO LOSS MINIMIZATION STUDIES

Cargo loss plays a major role in marine cargo insurance policies. Each cargo has unique characteristics and care requirement during transit. Consequently, marine cargo premium is based on the nature of cargo and the loss history.

Our risk professionals evaluate and recommend measures to eliminate cargo loss through:

- Claims analysis.
- Review of loading/unloading practices.
- Review of packing.
- Review of lashing/dunnage stacking/stowage, including weight distribution in transit.
- Review of protection against wet, moisture, and other atmospheric damage.
- Study to minimize hijack and theft in transit.
- Review of bulk cargo, oversized cargo, and project cargo to eliminate loss.

JOURNEY RISK MANAGEMENT (JRM)

The route of a journey also influences whether an organization incurs cargo loss. To assess the route and offer actionable solutions, the MRC team offers the following services:

- Study of proposed and alternate routes to prevent hazards.
- Assess emergency preparedness, and suggest measures to improve.
- Identify facility for parking, repairs etc.
- Provides details of bridges with capacity, tunnels with clearance, etc.
- Help with GPS implementation.

CARGO STORAGE MANAGEMENT

Storage plays a vital role in cargo losses. Business organizations store finished goods and raw materials at manufacturing plants, warehouses, and intermediate storage areas, such as ports, railway yards, premises of the transporter etc.

The MRC team helps organizations safely store cargo by:

- Reviewing the general condition of the storage area.
- Reviewing the handling and stacking methods.
- Training storage operators.
- Studying traffic management in the site.
- Reviewing capacity utilization.
- Reviewing the safety of storage, so that people working in the vicinity are safe.

DRIVER

The severity of cargo losses in transit is due to small driving errors.

The MRC team conducts training programs to educate drivers about the route, importance of the cargo, likely loss scenarios, and emergency response. Following are a few examples of how the team supports organizations.

- Driver training.
- Enroute surprise audits.
- Train the trainer program.
- Pre-trip inspection training.
- Customize monsoon safety campaigns, alcohol - drug awareness campaigns.

VEHICLE

Vehicle selection is a key step to minimize cargo loss. The MRC team helps the organization with the following services:

- Select vehicles based on the cargo to be transported.
- Fleet audits for external condition.
- Assist in preparing checklist/standard operating procedures (SOP) for vehicle selection.
- Help with central motor vehicles rules compliance audits.

SUCCESS STORIES

The MRC team has helped many organizations minimize logistics loss. The following are examples of how the team has helped different organizations.

- The MRC team helped a large pharmaceutical company select a road route with speed limits. The team also helped the client improve dunnage and lashing to avoid internal movement of the cargo in the container and the vehicle to reduce chances of the vehicle overturning and causing losses. Consequently, the company was able to improve the risk quality and reduce the number of incidents.
- The MRC team helped a chemical company develop an effective risk plan, by studying the movement of its products along key routes, the hazards on the way, and emergency procedures.
- A major manufacturing company, which produces steel wires, was suffering losses due to water entry during transit. The MRC team advised the company about the factors that caused water entry and recommended best practices, which helped eliminate these losses.
- A two wheeler manufacturer suffered frequent losses in their new vehicle utility box. The MRC team identified the reason for the loss and recommended use of a particular packing material to avoid scratches in the utility box.
- The lack of space is common in Indian warehouses, which causes over stacking. The MRC team provided practical suggestions to avoid overstacking and betterment of stacking quality to a company.



THE MARSH DIFFERENCE

Marsh India's risk professionals are knowledgeable about the regulatory, technical, and business challenges of all major industries. The solutions that they offer cover all aspects, such as cargo, route, storage, driver, and vehicle. The MRC professionals design strategies tailored to meet an organization's needs, keeping all factors in mind.

For more information about Marsh Risk Consulting and other solutions from Marsh, visit <http://marsh.co.in/service/riskconsulting/> or contact riskconsulting.india@marsh.com or contact your local MRC representative.

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