



# Supply Chain Risk Management- A Balancing Act

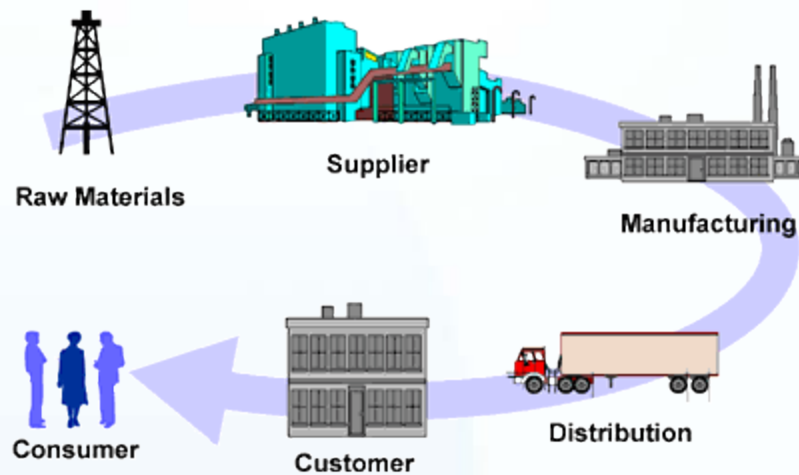
IUMI  
September 2009  
Bruges, Belgium

# Objectives



- Discuss today's truly global supply chain
- Illustrate interdependency of the disparate channel partners and their competing agendas
- Identify influential forces, and their effects, in today's supply chain
- Propose strategies for "the next time"

# Supply Chain: A Simplistic View



# Supply Chain Complexity: Competing Priorities



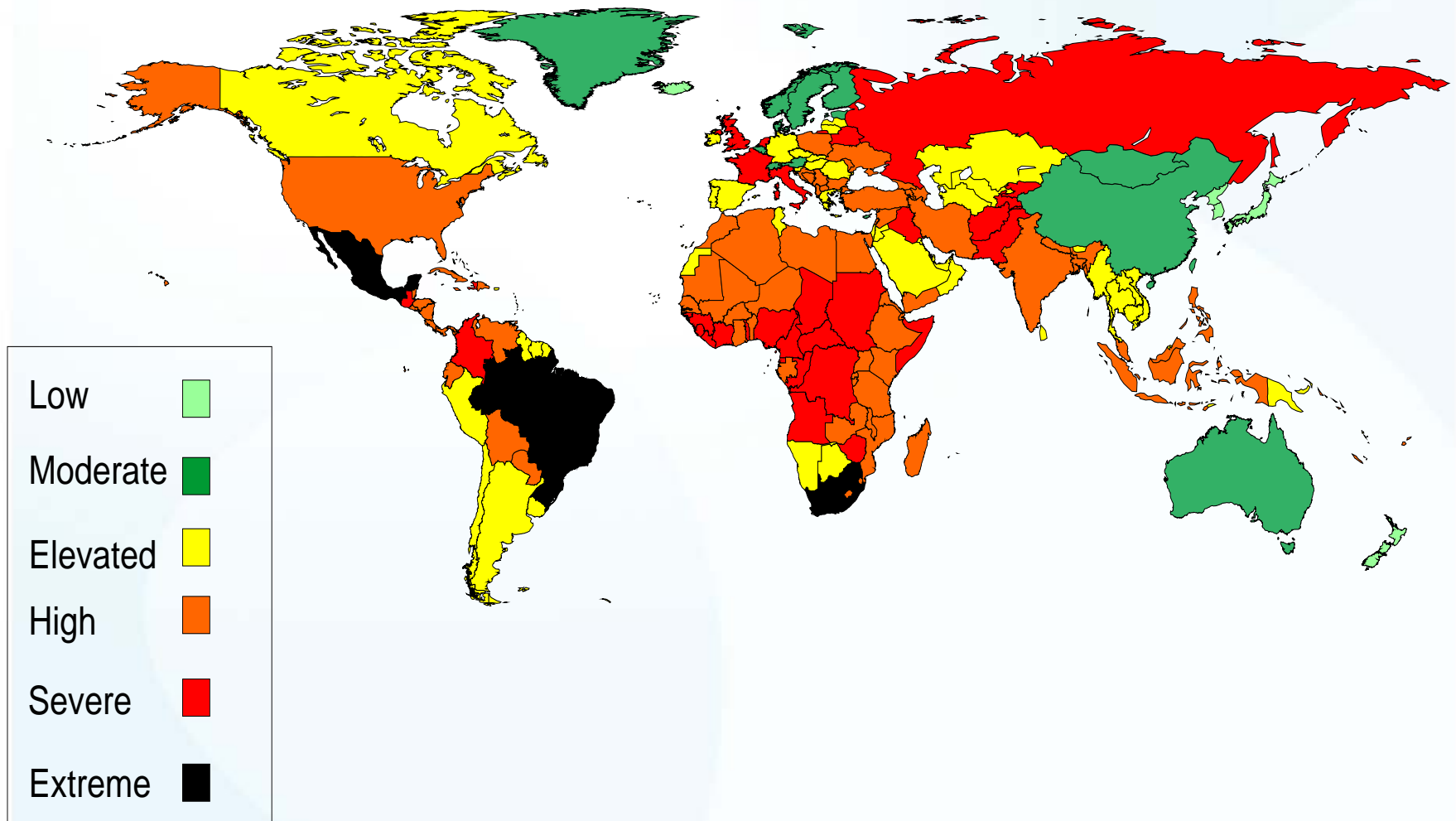
<b><u>Links</u></b>	<b><u>Mantra</u></b>	<b><u>Metric</u></b>
Manufacturer	Outsource	Profit
Shipper	Speed	“Time to Market”
Carrier or Intermediary	Efficiency	Resource Deployment
Terminal	Production	Throughput
Consumer	Value	Cost
Insurer	Safety	Asset Protection
Government	Homeland Security	Compliance

# Outsourcing Strategies: Total Landed Cost



- Offshore
  - Low-cost country sourcing
    - Underdeveloped transportation networks
    - Less sophisticated cargo handling
    - Longer transport distances
    - Volatility/Need for Contingency Planning
    - Quality control concerns
- Near-shore
  - Advantages of proximity
- “Splitshore”
  - Keeping labor-intensive processes offshore

# Global Risk Profile: “Ipsa Scientia Potestas Est”



# Domestic Inland Transit



- **Brazil** (Electronics), **India** (Pharma) and **Mexico** (Apparel)
  - Increased logistics costs
  - Underdeveloped distribution infrastructure
  - Unsophisticated road system
  - Inefficient ports
  - Limited modal options
  - High levels of crime and cargo theft



# Uncharted Waters



- Recession-driven Dislocation
- Lean
- Going “Green”
- Provenance
- Enterprise Risk Management
- Security/Regulatory Compliance

# “Hic Sunt Dracones”



- Downturn as Catalyst for Change
  - Upstream effects
    - Shortchanging quality
    - Shrinking lead time
    - Freeing up capital
  - Cash is king!
  - Reducing capital projects and equipment
    - Institutional knowledge and production capacity
  - Forecasting
    - Push vs. pull dynamic (“When something ought not to be happening about which something ought to be done right now” vs. Stein’s Law)
    - Real world example-global containerized cargo demand vs. supply

# Containerized Cargo Projections: Demand vs. Supply



## ■ Global Trade Volume

- 2009: -4%
- 2010: -1%
- 2011: 5%
- 2012: 7%

## ■ Vessel Capacity

- 2009: 12.6%
- 2010: 10.5%
- 2011: 8.9%
- 2012: 5.4%

# Lean: Total Cost of Ownership



- Multi-dimensional
  - Manufacturing
  - Logistics
- Focus on Waste Reduction
  - Inventory elimination
- Increase Speed, Velocity & Flow
- Instrumented, Interconnected, Intelligent

- Sustainability
  - Reduce, Reuse, Recycle, Renew
- Carbon Footprint
  - Packaging
    - Criteria vs. cost vs. performance
  - Transportation
    - SSS (“Motorways of the Sea”)
    - HGV and LCV
  - Warehousing
    - Environmentally-friendly
    - Energy-efficient

- Cradle-Grave Pedigree
  - Six Sigma
    - Remove variability
    - Define, measure, analyze, improve, control
  - Visibility
  - Validation
  - Verification

- Holistic Approach
  - Traditional maritime risks
  - Operational risks
  - Financial risks
  - Reputational risks
  - Strategic risks
- Resiliency
  - Business Continuity
    - Maintaining pipeline
    - Minimizing effects of disruptions



- Trade Facilitation Issues
- Escalating Government Intervention
  - Zero tolerance
  - Risk-based, layered approach
  - Nine (9) supply chain regimes and counting
  - Limited reciprocity
  - Delays
  - Fines



# Weathering Future Storms



- Recession-proof your supply chain
  - Embed a company-wide risk management culture
  - Scrutinize sourcing and suppliers
    - Be wary of untested contingency plans and over-reliance on resilience of business partners
- Hone your core competency
- Build symbiotic shipper-carrier relationships
- Move from reactive, programmed data to “information in the moment”

# Thank You



Barry Tarnef  
Loss Control Specialist  
Chubb Marine Underwriters  
Philadelphia, PA  
USA  
215-982-8526 (phone)  
215-981-8223 (fax)  
[btarnef@chubb.com](mailto:btarnef@chubb.com) (e-mail)

# Thank You



Barry Tarnef  
Loss Control Specialist  
Chubb Marine Underwriters  
Philadelphia, PA  
USA  
215-982-8526 (phone)  
215-981-8223 (fax)  
[btarnef@chubb.com](mailto:btarnef@chubb.com) (e-mail)

# Thank You



Barry Tarnef  
Loss Control Specialist  
Chubb Marine Underwriters  
Philadelphia, PA  
USA  
215-982-8526 (phone)  
215-981-8223 (fax)  
[btarnef@chubb.com](mailto:btarnef@chubb.com) (e-mail)