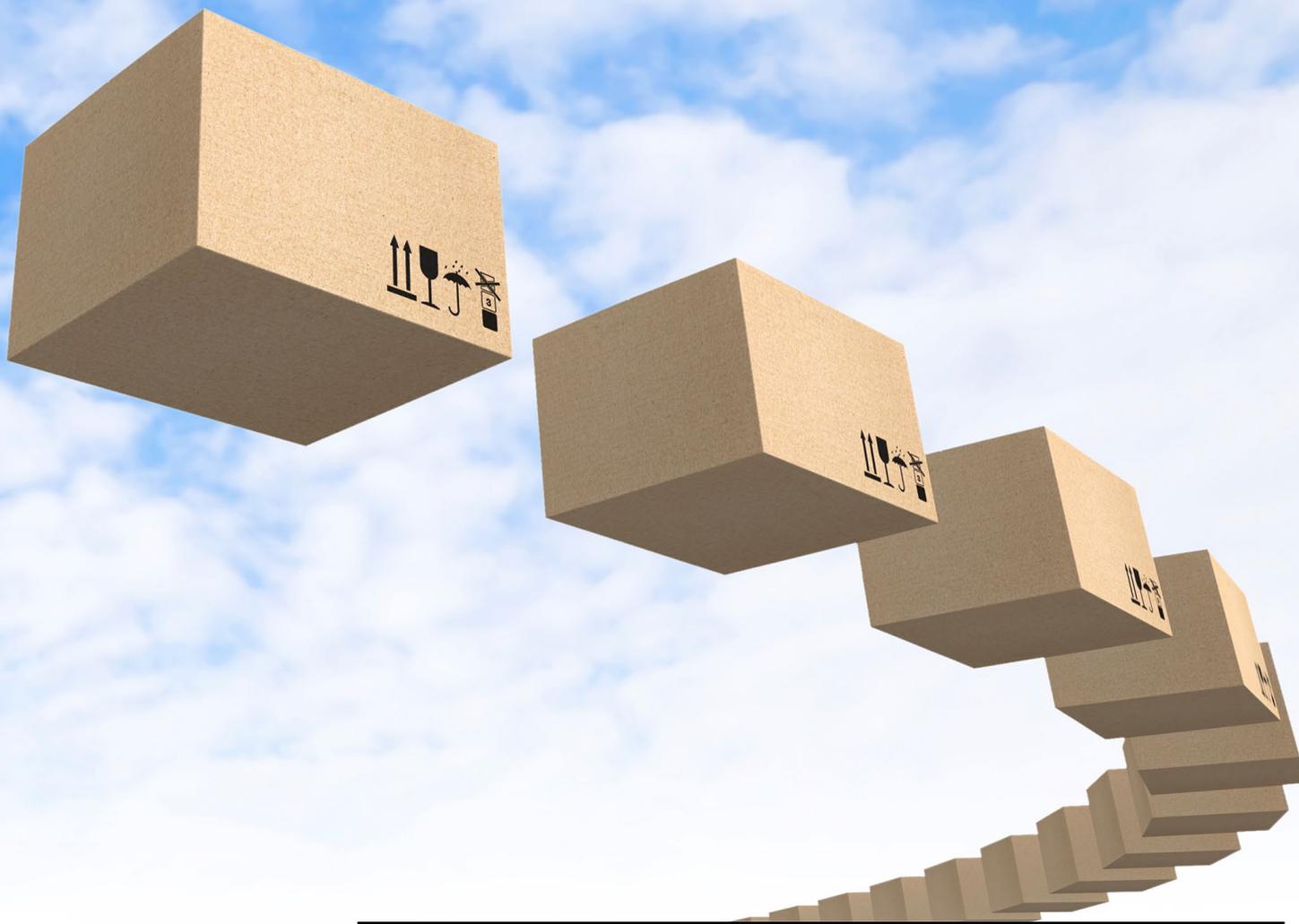


## Developing a Risk Management Program



**NOTICE TO CARRIERS**

**SHOCKWATCH®**  
**PROGRAM IN USE**

## Developing a Risk Management Program

*“It’s a Program, Not a Sticker”*



Business success is determined, largely, by supply chain efficiency. Achieving efficiency throughout the supply chain requires a comprehensive risk management program that takes into account shipping volume, the cost of goods, and the repercussions of any damage.

Monitoring cargo – whether individual packages or large industrial equipment – provides deep insights into the real-world conditions that cargo experiences. As such, logistics professionals are better able to identify risks, correlate them to specific conditions, lanes, routes, carriers, seasons, etc., and develop procedures to mitigate them. This enhances a company’s competitive advantages by improving the quality of goods that reach the customer, as well as by, eventually, reducing the need for warranty repairs or the risk that damage goods will be put into service where they may fail and cause widespread disruptions.

[Multiple types of monitoring devices](#) are available to ensure shippers have the data they need at a price they can afford. For example, electronic data loggers monitor a range of impact thresholds, the direction and duration of impacts, and their G-force, along with the event’s GPS coordinates and time of occurrence. Some options record thousands of shipments and can generate trend reports that span months to years.

Electronic data loggers are ideal for companies with regular shipments, or high value goods. For these companies,

tracking results by lane, carrier, season, and location is important, and can be integral in reducing incidents when that data is correlated to damage rates and type of damage.

At the other end of the scale, single use indicators are ideal for shippers who need only a basic program to monitor their shipments. For these companies, an indicator, information on how to apply it, and a way for customers to report results may be sufficient.

### Integrating Risk Management Across the Supply Chain

Stopping damage caused by impacts, vibrations, temperature excursions, or tilts could save countless dollars in repairs, replacement, and reshipping, not to mention such indirect costs as troubleshooting and down time.

A comprehensive, enterprise-wide risk management program can improve performance throughout the supply chain, minimize risks, and therefore reduce costs for logistics partners end-to-end. That’s because supply chain monitoring programs provide deep insights that logistics professionals can use not only to minimize the risks of failures, but also to identify opportunities that enhance efficiency or lower overall costs. Multiple researchers have reported direct correlations between risk management and the value of the organization, reflected in better management and improved performance. Clearly, risk management programs are not just high-level compliance exercises to educate the governing board and audit committee. They bring real value that can improve productivity, efficiency, and revenue.

Monitoring provides visibility to handlers, alerting them that someone cares enough about this particular package to record its experiences in transit. No matter how effective monitoring is, however, it’s not a silver bullet. Monitoring cargo – from small individual parcels and pallets to wide-load transportation of industrial equipment – is just one key step in a complete solution: an integrated risk management program that involves partners throughout the supply chain.

Aggregating the information from monitors placed on shipments helps shippers and carriers identify the specific issues cargo encounters. The goal must be to reduce the damage – not to punish the culprits. To do that, shippers, carriers, and customers must work together.

### Choose the Right Monitor...and the Right Program

Shipping volume, the cost of goods, and the repercussions of any damage should determine the extent of the risk management program.

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To decide which level of program is best for you, first identify the type of damage your cargo is experiencing and then talk with your solution provider about options to ensure you're using a monitor that provides the information you really need.

### Get Carriers On Board

Risk management programs are most effective when your carriers are working with you. Throughout the lifespan of your damage prevention program, make it clear that your focus is on reducing damages rather than assigning blame. By making the assumption that carriers want to reduce damage, too, both parties can begin to work like partners, finding innovative solutions together to minimize damage.

Pepsico took that approach years ago when it developed its damage prevention program. It worked with its logistics partners in packaging, trucking, and rail transportation to identify the root causes of damage to its supply chain and then to find solutions.

There's opportunity in sharing information among logistics providers, carriers, and shippers in the supply chain. Monitoring shipping conditions in real time helps insurers properly ascribe risk and liability, which may be reflected in insurance rates. More importantly, the real-time communications that are possible with today's IoT (Internet of Things) monitors alerts logistics to issues early, often in time to prevent or at least mitigate damage.

Consider, for instance, temperature-sensitive cargo like

seafood or pharmaceuticals. Knowing in real time that items are approaching – but haven't yet breached – their temperature thresholds allows logistics professionals to shift the cargo (to properly working reefers, for example), or have representatives intercept it (like at customs inspection points) for re-icing. This ability can save companies significant monies.

Sometimes just sharing information about how a packaging solution works can solve the problem. For example, one new pharmaceutical package handler was so concerned about temperature excursions that he put a cold chain package in the refrigerator to await pickup. The packaging became too cold and caused the very damage he was trying to prevent. Retraining him, so he understood how the protective packaging worked resolved the issue.

Other times, knowing when damage occurred lets shippers and carriers reevaluate their own procedures. For example, automatically switching between summer and winter packaging according to a calendar date doesn't consider current weather patterns and can lead to temperature excursions during early winters or late springs.

Making changes in cargo handling procedures is another example. Fork lift providers and users say the improper use of fork lifts or the choice of the wrong type of equipment also causes damage. According to a Kraft Foods NA study of its own supply chain, damage resulting in unsalable products is most often caused by poor practices in packaging, configuring pallets, handling, loading, and instore stocking damage.

Knowing where and why problems occur is the first step to eliminating them.



### Create a Carrier Letter

Preventing damage requires shippers and carriers to act before conditions escalate and cause even more damage. To know how to respond, carriers rely upon their customers. Shippers, therefore, should develop a letter to carriers specifying exactly how to respond and whom to contact

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when a monitor is triggered. For example, an electrical transformer that experienced an impact may need to be held for inspection or diverted to a repair facility rather than shipped to its destination – particularly if that destination is in a remote region. Ideally, instructions should be on the crate: “If damaged in transit, phone...” Likewise, produce that becomes too warm in transit may be best diverted to local markets rather than shipped cross-country, thus prolonging its effective shelf life. Knowing, up front, what to do saves time, minimizes confusion, and can result in significant savings in terms of warranty repairs and product losses.

*“Educating customers about your loss prevention program is just as important as educating carriers.”*

### Launch a Blind Test

In addition to providing instructions in a carrier letter, bring carriers into your facilities to demonstrate your monitoring solution. Show them, for example, how high an item must be dropped to set off an impact monitor. Most carriers don’t know how much impact is too much until damage has occurred. A visual demonstration – a drop test – makes it real and sticks in their minds as they analyze their own handling facilities and practices.

Drop tests prove that monitoring solutions actually record impacts accurately, but their true value is in changing the behavior of handlers. After seeing a demonstration, carriers know that if SpotSee indicators change color, an impact exceeded the product’s threshold.

You can test the ability of monitors to change handler behavior by conducting a blind test. First, put SpotSee indicator labels of various impact thresholds inside the packaging, where handlers won’t see them. Ship five packages this way to the same customer. On another five shipments, put indicator labels on the outside of the packaging. When the packages arrive, tabulate the results and see if they were handled differently.

### Draft a Customer Letter, Too

Educating customers about your loss prevention program is just as important as educating carriers. Customers, after all, are the ones most inconvenienced by any damage.

At the beginning of your risk management program, or as you ramp up a new phase of an existing program, ask for



customers’ help. Send a letter outlining your monitoring program, what it means to them, and how – exactly – they should report monitors that were triggered. Make it easy for them to provide feedback. And, in the letter, explain why their input is vital.

You may explain, for instance, that knowing when and where damage occurs helps you design better packaging or adjust warehouse or loading procedures to reduce the risk of future damage, so they can sell undamaged items to their own customers immediately for a faster return on investment. In the case of industrial equipment, you might explain that monitoring helps inspectors discover hidden damage that otherwise may not become apparent for years. Knowing about damage early lets items be repaired or replaced before they are installed, saving time, money, and reputations.

Most customers will be happy to help you track results if they realize their participation is part of a comprehensive program to improve quality throughout your supply chain. Your commitment to quality is a commitment to them.

This also is a commitment they can extend to their own customers to enhance their own reputations. For example, a coffee pot manufacturer for a major coffeehouse used a monitoring program as a point of quality control. Even though its shipments were habitually undamaged, the manufacturer sent letters to its customers asking for damage reports so they could take up any problems with the carrier on the customer’s behalf. The company says this approach was surprisingly effective at generating goodwill.

### Analysis: The Forgotten Step

Data is only valuable when it’s used. Adding a label may reduce damage, but analyzing the resulting data is the

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core of a comprehensive, integrated risk management program. Analysis transforms disparate data into actionable insights that showed where extra attention was needed and – importantly – where it wasn't.

Multiple types of analysis can be used. Systems analysis, causal loop diagrams, and event trees are some examples. What they have in common, however, is that they show the correlation between activities and outcomes. This lets supply chain managers qualify and quantify risks, so they are focusing resources only where they're needed.

By combining comprehensive monitoring data with carrier and customer feedback, supply chain managers can develop an accurate picture of normal operations as well as of exceptions. They can determine where things went wrong for a particular shipment, and can develop trends to

determine whether changes are needed. By knowing what happened – the direction and amplitude of an impact, for example – managers can determine whether the solution should involve changes in vehicle loading, packaging materials, shipping procedures, or something else entirely.

### Improvements Takes Time

Massive improvements in damage rates probably won't occur overnight. While visible monitoring can improve handling, working with customers will help you accumulate more data, and working with carriers will provide deeper insights and more potential solutions. It takes all three working together to develop a highly effective, integrated risk management program that actually reduces in-transit damages. Working together as partners – not possible culprits – is a key step in reducing losses and improving quality.



### ShockWatch 2

A single-use, go/no-go devices that determines if fragile products have been dropped during transit or in storage. The indicators are field-armable, tamperproof devices that turn bright red when an impact beyond a specific threshold has occurred.



### ShockDot

Tamperproof mechanically activated devices, ShockDot indicators turn red when a potentially damaging impact occurs. Each indicator is serialized and ensures the user that the device has not been switched during transport.



### TiltWatch XTR®

Turns red if the package it is affixed to is tilted past 80°. However, it remains unaffected by movement due to normal handling conditions.

[Speak with a local SpotSee logistics expert about your supply-chain and explore our best-in-class logistics devices.](#)

Reference Source:

<http://mhlnews.com/technology-amp-automation/stop-load-damage>

[www.spotsee.io](http://www.spotsee.io)

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