

THE 4 KEYS TO MITIGATING RISK IN TRANSPORTATION MANAGEMENT

In June 2014, a tractor trailer failed to observe slowing traffic ahead and as the driver attempted to swerve to avoid a limo bus; they collided, causing a chain reaction involving four other cars. The limo flipped, killed one passenger, and critically injured three others including famed comedian and actor, Tracy Morgan. The driver faced one count of vehicular homicide and three counts of assault by auto. Just one month after the crash, Morgan filed a law suit against the truck's owner, Wal-Mart, stating "the defendant's negligence was a substantial contributing factor in causing plaintiffs' injuries."



This is just one example of the risk carriers and shippers face when transporting freight. Today, shippers face a much increased risk for being held liable for damage or injury as a result of negligent hiring and/or vicarious liability. It is critical that supply chain managers take active measures to reduce this risk, however many organizations lack a formal process for evaluating and implementing risk mitigation procedures. Here are four keys to mitigating your company's risk of liability when shipping freight.



1 Partner with an experienced transportation management company

Many transportation management companies are equipped with programs and procedures to help their customers navigate the landscape and mitigate risks. These companies can help simplify the process and provide programs on the front end to help shippers reduce the risks associated with moving freight. Using a partner can greatly reduce your up-front time and cost investment. However, when choosing a provider it is important to ensure their experience and stability in the industry by reviewing their risk mitigation procedures (outlined in the following steps), checking references, reviewing financial records for stability, and confirming there are no major or pending legal judgments against the company. If a company is hesitant or unwilling to share any of this information, it's time to move on. The point of choosing a provider is to find a partner set up to help mitigate your risks, not to increase them.

2 Ensure your provider has a carrier management program

Along with positive references, financial stability and a clean legal record, it's imperative that your transportation management provider has a Carrier Management program and technology to enforce standards for all carriers. Technology is key in making sure carrier information is up-to-date. If a provider isn't monitoring their carriers daily and making adjustments as things change, it could significantly impact your risk.

3 A provider should operate strict carrier vetting standards

Every carrier and potential carrier should be reviewed with the same strict guidelines when being vetted to carry your freight. These standards include active DOT authority and a Satisfactory Safety Rating, as well as auto, cargo and general liability insurance. If a provider fails to review one of these standards, or accepts carriers with an Unsatisfactory Safety Rating, you could be at increased risk. Before you begin a partnership with a transportation management provider, make sure they have a system to enforce these standards.

4 The best providers have contingency plans

If a provider does not have a plan in place for emergencies or disasters, walk away. Whether an industry-wide emergency occurs (such as ice storms affecting multiple lanes), or a natural disaster effects the provider (like a storm power outage or flooding), it is essential that the provider has a plan to handle unexpected events quickly and efficiently. Consider their plans for re-routing freight in a lane emergency. Confirm their data is backed up, secure and that any interruptions to service are short and remedied by emergency phone routing and remote office setup.

In short, while risk and liability can never be eliminated, working with a transportation management services provider who has systems in place to properly vet and monitor carriers, and who is prepared to maintain business continuity in an emergency, can help you mitigate risk within your supply chain. ■

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