

UPS Capital - Sponsored Study Shows Supply Chain Risk Mitigation Strategies Lacking

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Insurance seen as major way to mitigate losses, but not used by many companies as avoidance strategy

While many supply chain executives are well aware of the risks facing their supply chains and the undesirable consequences, many are still not developing and executing strategies to properly manage identified risks. This finding is according to a new study, *Managing Risk in the Global Supply Chain*, sponsored by UPS Capital® Corporation, and conducted by the Global Supply Chain Institute at the University of Tennessee.

UPS Capital (www.upscapital.com) is a business unit of UPS (NYSE:UPS) that enables smarter trade through cargo and parcel insurance¹, trade finance² and payment solutions³. One of the study's major findings was, of the 150+ firms surveyed, 90 percent did not formally quantify supply chain risk when outsourcing production, and not one of the surveyed participants used outside expertise to help assess supply chain risks.

"We were surprised by some of the findings regarding the lack of mitigation strategies," said Dr. Paul Dittmann, executive director of the Global Supply Chain Institute and the study's author. "The supply chain is one area of a company where executives are faced with balancing operational efficiencies, all without actually having direct control over many of the moving parts, thus making risk mitigation strategies almost essential to operations. Any business that does not have some basic form of risk mitigation plans in place is simply gambling with its existence."

This study also yielded other important findings, including that most participants' companies have risk managers somewhere in the company, often in the legal and finance areas. However, most of these risk managers are not aligned to supply chain risks, resulting in significant gaps in companies' overall mitigation strategies.

"We all know the threats are very real, and there are multiple ways to mitigate risk," said Dave Zamsky, vice president of marketing for UPS Capital. "While supply chain executives acknowledge insurance as a major way to mitigate losses, it is not on their radar screens. Two of the easiest risk mitigation strategies to implement are financial and insurance solutions. Providers like UPS Capital have a vested interest in helping businesses avoid losses and prepare for the unknown with products like our Flexible Parcel Insurance and Cargo Insurance. In addition, financial services such as UPS Capital Cargo Finance®, Global Asset Based Lending (GABL), or Credit Insurance offset risks and improve cash flow. A properly structured loan or other financial bridge can help reduce a company's financial risk and protect the bottom line with minimal operational changes."

About the Study

The study encompassed a quantitative survey of more than 150 supply chain executives and qualitative interviews with executives from six companies. The companies surveyed included both interviews and written responses. Companies ranged in size from \$300 million to \$80 billion and covered a cross section of industries.

Download a copy of the full study online, or contact Irene Moore, UPS Capital (O: 404-828-4105) for more information. You can also visit the University of Tennessee's Global Supply Chain Institute website.

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About UPS Capital

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About UPS

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