

## Risk Management in Mexico

When a multi-national producer of consumer goods decided to launch a new facility in Mexico, the challenges of operating in a volatile region marked by an escalating narco-civil war soon became apparent. They turned to us to provide the essential risk management advice needed for the shipment of 5000 TEU in 2010/11 of highly pilferable consumer goods. We undertook a disciplined approach to risk management through a four step process of Assessment » Quantification » Mitigation » Ongoing audit/self assessment.

### Assessment

Assessing the risk is an important first step which we had to address. We determined that a significant, ever present risk of theft, vehicle hi-jacking and contraband smuggling exist and the customer's product range falls within the five highest risk categories for theft in Mexico.

### Quantification

Additional risks exist in the form of Federal penalties, fines and damage to brand image and reputation. Cargo theft was the most prevalent property crime in Mexico in 2008 and led to the cost of road transport increasing by 40% in

three years. Insurance premiums increased by \$1 Million year on year between 2007 and 2008. Overall, the cost of road transport in Mexico is 20% higher than in the USA .

### Risk Mitigation

Specific recommendations were made including; undertaking background checks on all drivers, no weekend or Friday deliveries and routing through Houston to a secure, private security compound on the Laredo border, escorts with radio control to central law enforcement and use of steel bolt seals. We re-designed the supply chain to mitigate specific, pre-quantified threats and have put a check and balance system in place to ensure that these are maintained.

### Ongoing Audit

Quarterly site visits occur to inspect infrastructure, ensure adherence to SOPs and to audit the process. We also source daily high-level security briefings on the Mexican market to ensure that the customer is briefed immediately on any developments. Since implementation in March 2009, a **zero loss record** has been maintained.

