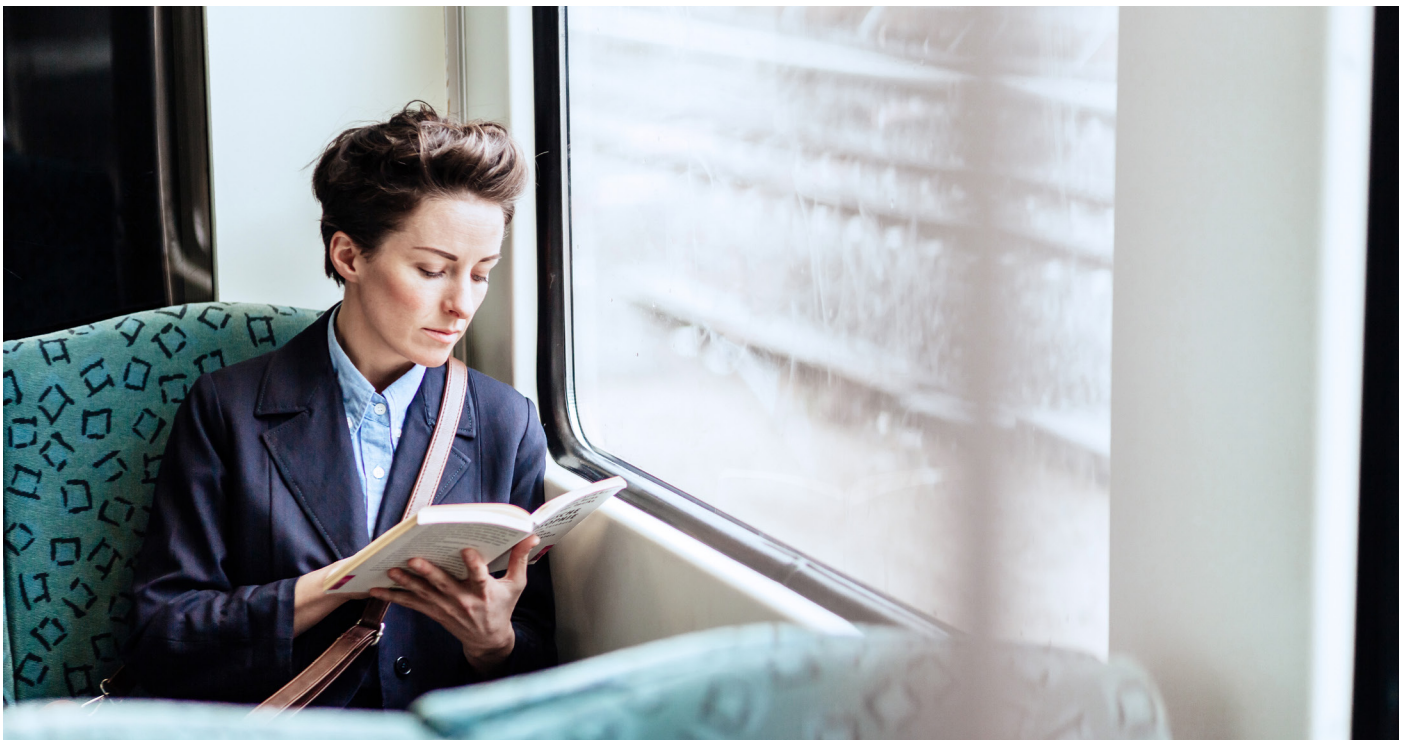


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## Top Risks Facing Transportation and Logistics Organisations



**T**ransportation and logistics industry respondents to our Global Risk Management Survey (GRMS) ranked cyber attack or data breach and economic slowdown or slow recovery as their two most critical risks.

One continually evolving risk is cyber attack or data breach, which is the top-ranked risk for the industry in our 2023 survey. Other risks don't appear on the top 10 list but are intimately connected to cyber risk, including disruptive technologies such as artificial intelligence (AI) and quantum technologies, which have the potential to amplify these risks and bring about more regulatory or legislative changes. Geopolitical risk could cause business interruptions and property damage.

The list goes on. The industry will need to continue to develop new strategies to address the fast-evolving risks that are on its doorstep as well as any new risks that are approaching. Resilience – not to mention significant value – is at stake.

### Current Risks

Some of the most notable risks for the transportation and logistics industry can cause significant disruptions. A few overlooked vulnerabilities can accumulate to cause immense systemic damage. Cyber attack or data breach is already the top risk for the industry according to respondents, but an organisation's cyber vulnerability should receive more attention and support from C-suite decision-makers as well as more collaboration between HR, risk and IT to create

a whole-enterprise approach. Consider uninsured warehouse liability risks that may result from a cyber event. Many in the industry hold liability coverages that exclude losses that result from cyber events, but many warehouses still have elements in their software systems that are vulnerable to bad actors, and the uninsured losses for the industry could run into the billions. Elsewhere, hidden liabilities in shipping contracts are often not quantified or are underexamined, but they can cause very significant financial damage.

### Top 10 Current Risks

1. Cyber attack or data breach
2. Economic slowdown or slow recovery
3. Business interruption
4. Increasing competition
5. Workforce shortage
6. Supply chain or distribution failure
7. Regulatory or legislative changes
8. Failure to attract or retain top talent
9. Property damage
10. Failure to innovate or meet customer needs

### Related Products and Solutions

- **Captive Insurance**
- **Cyber Insurance**
- **Errors and Omissions Liability Insurance**
- **Climate Risk Consulting**

The failure to attract or retain top talent (ranked

number eight) – distinct from workforce shortage (ranked number five) – is also an area of significant risk for the sector. Most industry respondents cited a shortage of skilled talent, partly the result of losing experienced talent to other sectors with more appealing pay or working conditions and partly fallout from the pandemic, which has seen some employees reconsider their work-life balance. Indeed, these developments have catalysed unionisation efforts among transportation workers.

Other human factors can create easily overlooked risks for the sector. Notably, social media can create an expectation of constant visibility to parts of company operations that used to be less scrutinised. This openness can help bad actors identify opportunities for theft along the supply chain, spread misinformation and damage brand value.

Straightforward supply chain or distribution failure is another top risk, ranked number six. By its nature, the sector participates in complex, extended supply chains, which means there are many possible points of failure. Consider the rise in cargo theft, which is at a **10-year high**. Social media and advanced technologies have made it easier for bad actors to spot and seize opportunities, including impersonating drivers and conducting fraudulent cargo pickups.

### Top 10 Future Risks

- Economic slowdown or slow recovery
- Cyber attack or data breach





- Workforce shortage
- Regulatory or legislative changes
- Failure to attract or retain top talent
- Increasing competition
- Political risk
- Cash flow or liquidity risk
- Commodity price risk or scarcity of materials
- Ageing workforce and related health issues

For instance, the industry will likely need to be able to electrify fleets or pivot to non-fossil-fuel technologies in the future. But because many sub-sectors within transportation and logistics are highly visible, they often attract regulatory oversight that can make growth and implementing change difficult or complex. For instance, making medium-term decisions about the energy transition can be difficult because regional and national policy agendas can differ significantly from one country to another. And because the industry is still powered mostly by fossil fuels, the combination of factors such as carbon taxes and infrastructure costs for the energy transition will likely continue to boost operating costs. Finally, infrastructure that supports trucking and logistics is deteriorating in many places, and the lack of safe, legal parking places for tractor-trailers will constrain capacity, create risk or both.

Finally, the industry continuously faces reputational risks. Many of the losses it experiences are high-profile because they involve passengers or communities, for example in aviation or rail. These losses are associated with higher costs and litigation, all of which exposes industry participants to scrutiny on social media channels, which often negatively affect transportation and logistics companies' brands and reputations. Concerns about these issues can be seen in industry respondents' future rankings for cyber attack or data breach (number two), workforce shortage (number three), failure to attract or retain top talent (number five) and increasing competition (number six).

## How Can Transportation and Logistics Organisations Mitigate These Risks Effectively?

For transportation and logistics, a key part of mitigating cyber risk is to continuously update assessments of relevant threats. In an arms race against bad actors, industry decision makers should quantify

the efficacy of their existing mitigation strategies, both for themselves and for stakeholders such as insurers or investors. Entire organisations should receive up-to-date training on cyber risk, and areas identified as the most vulnerable points of potential failure could receive special focus.

To guard against the risk of economic slowdowns, the industry could prioritise building up cash reserves and update its approach to capital expenditures to protect cash positions. An increased focus on interconnected risks that can compound economic losses would also benefit many industry participants.

Protecting brands and reputations will require a similarly holistic approach, starting with taking action before adverse events occur. For instance, companies should monitor social media to track public sentiment on topics related to their brands and the industry and strategically connect with stakeholders to build and maintain trust. Should a crisis happen, companies should have a rapid response ready that includes defined roles and responsibilities within the organisation.

Finally, organisations could create robust strategies around pay, benefits and working conditions to attract and retain talent. As AI continues to develop, industry participants could invest in employees even as they invest in the technology, so their workforces have the skills to work well with AI.

### General Disclaimer

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