LRMI 4th Quarter 2023
All Comments

1 Cybersecurity and Data Risk Comments
Cyber is a major dimension of warfare.
AI is another disruptor being used by the bad guys to hack and threaten ransom, both in business and personal
No.
Unpredictable linkages between compromised data centers.
Our business has seen a continuation of attempted cyber attacks and threats. We expect this to continue through end of the calendar year.
Cybersecurity attacks have been on the rise, both the quantity and types of attack. It's a business; it's organized
There seem to be more and more malware and cyber attacks.
Cybersecurity attacks on our vendors have been drastically increasing in the past 6 months and we expect this trend to continue for the foreseeable future.
Unfortunately, the industry will see more of this. Much of what already happens is underreported for obvious
Russian engagement in Ukraine and new PRK / Chinese partnerships increase cyber risk.
Our long-time IT Director passed away last month. His successor will need some time getting up to speed, which could jeopardize our cyber security. I don't see any particular threats on the cyber front for ports/maritime as a
Notable increase in cargo theft, ransomed loads and double-brokering scams. Segment is largely dry van truckload shipments. Heavy use of electronic load-boards, stolen email contacts, similar email id scams, stolen
Cyberattacks are becoming more frequent and more advanced.
We are absorbing a catalogue of new customers, and they directly pose a channel for cyber threats.
Reference Verizon's DBIR annual reporting for added and very in depth insights on this area too. DBIR = Data Breach Investigation Report. The latest edition can also be found here.
Adopted new equipment and layers of protection in the last 12 months.
Always crazy.
2 Economic Risk Comments
Why would anyone work for any US business that doesn't pay them more than six figures? Any less is untenable in the long term. No one wants to work to enrich the "management class" or their owners.
All of the above examples are in play.
No.
Inflation, Interest rates.
Stock market down. Fitch downgrading of US Treasury market. US Dollar versus other world currencies. Slowing world economies, especially China.
All the above.... we are heading into volatile times.
Slight increase due to expected government intervention. Demand won't increase unless the Biden administration steps in.
People and businesses will continue to get squeezed.
Your listed bullet points are spot on.
Inflation.
Expected downturn in economy is on the horizon.
At some point, the higher interest rates will impact the economy. It is surprising that they haven't had more of an impact already.
All examples in #9 could be issues.
If we are not already in a recession, one will arrive soon.
Directly tied to consumer sentiment.
Increasing energy costs are the primary concern.
There is plenty of volatility in this area, but we specialize in alternative energy, so this risk should remain neutral for us.

Watching inflation via CPI/ECI closely, as well as Fed actions and, per previous, UAW negotiations.
Hopefully stable.
3 Government Intervention Risk Comments
The US is pretty screwed. The latest polls say it will be Trump vs. Biden again in 2024. No thank you. Until real leaders can emerge, our government power grabs will continue. The US is not a serious country right now, and so the effects of war and geopolitics will be harsh for US businesses.
Energy reliability decreasing.
Current administration over-regulates so risk will increase as long as they are in place.
War in Ukraine. Alliances among US, S. Korea, and Japan. Weakening economy in China.
Every week we are faced with different US States rolling out new "Chemicals of Concern" and putting legislation in place to control the sale of products that contain any of these chemicals in the raw materials / finished products. Huge risk that Government does not understand the impact to the Healthcare Sector.
The Biden administration may begin to put policies in place that will spur the economy in 2024 as we head into an election year.
Governments in collapse, at war, or otherwise not serving their people continue to present often unknown risks to supply chains, especially as those supply chains increase in scope across the world.
They helped get us here. Enough said.
Seeing increased risk due to US-China chip wars. Non-approval of Intel-Tower merger showing China is willing to take action against US tech companies, who are moving supply chain out of China to other geos. Threat of potential Chinese invasion of Taiwan increases overall risk to technology supply chain.
More taxes and regulation.
Too much government is the problem.
Medical products - same scrutiny and regulations.
California CARB legislation, other states/federal environmental motor carrier and railroad legislation limiting efficiency and value for consumers. Higher capital and variable costs which will be passed along through the supply chain...continuing inflationary pressure.
Continued growth of production facilities across the globe will continue to minimize this risk.
4 Customer Risk Comments
Inflation, while supposedly ebbing, is still higher than targets; buying power has lessened, and consumer credit is at an all-time high.
No.
Impact of higher interest rates on credit cards purchases. Impact of higher mortgage rates on real estate related purchases.
In 2023-2024 we should anticipate a further tightening in demand and inventory planning with so much economic uncertainty.
As our customers face increasing prices, there is more risk that they will move business based upon price alone. Depending on our competitors' sales strategy, it's possible that they can cut price to win business volume. With increasing costs, this will be difficult for any company to execute on, but it is a strategy to increase volume.
Trading down to cheaper items such as private label.
Fluctuating inventory levels due to sporadic consumer behavior will create challenges.
Inflation + consumer credit at all-time high will start to slow growth.
At the moment, procurement teams have the upper hand, so for now, customer risk is high. Once freight rates rise, operations teams will dictate and customer risk will lessen.
Customers are looking to save freight and logistics costs, leading to disruption.
Consumer sentiment is a roller coaster right now.

We always have super aggressive KPIs to improve service levels for customers which is expected. That alone would make me believe the risk would stay the same. However, couple that with a feeling of economic uncertainty heading into an election season, and this leads me to believe there will be an increased risk.
For the most part, we retain trusted long-term partnerships, while we forge and earn trust with new ones.
5 Supplier Risk Comments
Companies like ours that decided to resource locally/regionally/nationally will be fine. Other companies that sought to deny reality wont be in a good place. And perhaps they deserve it?
No.
Semiconductor supply getting better. Alternatives being proposed to lithium batteries for automotive.
Post-COVID many companies are looking to recover some of the increased cost they paid over the past 2 years. However, it won't be that easy forcing businesses to diversify their supply chain to capture this profit demand.
As we continue to standardize on a global basis, there seems to be little internal concern for the risk associated with developing new sole source strategic relationships globally for raw materials/commodities which are required to produce our product. The global landscape has proven to be unstable, and I believe this trend will
Reshoring has been key.
Cost of materials has risen because of inflation; not yet abated. Credit terms tightening.
Devaluation of currency is creating shortages and driving up prices.
Contract manufacturing has really taken hold lately with domestic outsourcing to manufacturers with higher asset utilization to provide relief from asset and labor management. This loss of control makes it challenging to adapt to volume variability in non-company owned manufacturing facilities.
It's just a more volatile business community, and more supplier disruption, bankruptcy, & shifts in strategy are
Since COVID, supply chain is almost back to manageable levels. Still not what they were in 2019, but have
Delivery schedules are inconsistent and unpredictable.
Increased diversity in suppliers.
Same as above for brokered dry truckload services.
More suppliers will be onboarded to mitigate risk of parts shortages. As stated previously, there will be quality risks, but supplier risk will be constant.
More stable now.
6 Transportation Disruption Risk Comments
Mayor Pete and this regime are focused more on racist roads than on maintaining infrastructure.
UPS strike, while apparently settling, may prompt more of the same action in other companies. Airline staffing of pilots and other line personnel remains below needs.
No.
Overcapacity in ocean freight. Yellow Trucking bankruptcy.
I expect logistic pressure to expand into Q4; these pressures will be driven by the continued surge in oil prices, along with the capacity constraints with the overall holiday demand.
Once again, we are beginning to see soaring fuel prices. With the decision to stop all domestic drilling there is no line of sight for pricing to ease. This will continue to impact all businesses.
Increase of fuel price, and more limited refer capacity, along with frozen storage capacity, due to the holidays.
Hurricanes & wildfires could dramatically increase the risk of operational disruption if either occur during Q3.
Fuel prices are higher.
As freight rates rise, mid-2024 we will see a more challenging driver hiring environment.
The Yellow bankruptcy will result in LTL price increases and the new UPS contract will have major cost impacts on small package shipping.
Waiting to see how much impact Yellow freight bankruptcy will have on costs. Costs and availability are still a
Diesel prices are again on the rise. Consumers are already hard-pressed by government inflationary policies, and have little room for credit or cost savings.

Union negotiations with UPS over, Yellow Truck resolution opening LTL for smaller LTL firms, and a lot has been resolved. There is some air freight risk and weather risk, but much less than prior years.
Yellow freight went bankrupt.
Notable increase in cargo theft, ransomed loads and double-brokering scams. Segment is largely dry van truckload shipments.
The water level crisis in the Panama Canal may have a significant effect on transportation.
The current low water levels in the Panama Canal are disrupting ocean freight.
Fuel and shipping prices are rising steadily.
Higher demand with previously stated risks will cause infrastructure complexities which will lead to transportation failures.
Garden industry - less volume.
Projecting continued improvement in spot market with balancing of capacity vs rates.
Much improved transportation cost and capacity available.
Things have stabilized.
7 Technological or Competitive Risk Comments
The gross institutions like Amazon, Google, Meta, etc. will continue to extract value from society and displace real, sustainable businesses.
No .
AI being viewed as disruptive. Increased impact of misinformation. Major shits in social media platforms.
Jobs will change as AI and related technologies continue to improve and become faster. The more reliant humans are on letting AI do the learning, the more stupid and lazy we'll become.
Extreme focus on Generative AI in the industry is driving a re-alignment of competitive lines.
See answer to cyber security question above.
Possibly a SLIGHT increase.
We will remain the leader and welcome more competition. Q4 will be enough time to understand if the larger auto makers and energy entities will capitalize and gain ground.
We ensure continual assessment of our technology-based resources to ensure they are proactive and suitable to our mission.
Companies seem to be waking up post-pandemic.
8 Environmental Risk Comments
Will remain about par for history, but the idiots that decry "climate change emergency" deserve all the stress, loss of respect and power, and financial loss that will come their way. Conversely, real leaders are figuring out how to adapt and overcome.
No.
Climate change.
Same as government regulations - largely associated with environmental impacts.
Uptick in bad weather, mainly snow, in Q4.
Climate is changing and that should always be taken into account. Climate alarmism is much worse than the actual problem. Darwin is on full display nowadays.
There is heightening awareness about polluted water and soils, dump site leakage, rising water tables along with the demand to get it all cleaned up.
Significant unusual weather in core markets (Florida, Texas).
Environmental factors are overblown and not realistic.
These risks are very much present and likely to increase.
Our Logistics Centers and Offices are located, for the most part, in low-risk areas.
Hurricane and storm risk.

9 Quality Risk Comments
Don't buy from enemy nations, or your quality risk will increase. This is basic common sense.
No.
Capacity constraints on some pharmaceuticals.
Even though the Quality Risk will remain the same for our organization, it is ALWAYS a HIGH RISK in our line of
Lack of trained, knowledgeable workers will lead to quality/reliability problems.
High turnover in the workforce in the Lehigh Valley makes quality a significant risk at times.
Onboarded new suppliers.
More vehicles and vehicle refreshes (updated parts) creates more opportunities to experience quality defects; defects per thousand opportunities (DPTO) is the associated metric. More so, new vendors being onboarded for new products (Cybertruck, Semi, etc.). will also be a factor in Q4.
New brand quality standards are below ours, and we will need to work with vendor quality teams to improve packaging, labeling, and data provided.
Our processes are tight; any quality risks derive from supplier/customer related factors.
10 Operational Risk Comments
Capacity management with higher demand.
Summer heat leads to more breakdowns. This should decrease in autumn.
COVID resurgence potential exists. Business are all facing cost pressure on Total Cost. In order to manage increasing costs and remain competitive, companies are going to need to make hard decisions on the business strategy and path forward. How do they respond to the rising costs? Reduce workforce? Increase pricing? Other cost cutting measures? Also, capital is getting tighter and more expensive. Companies will not be as quick to make significant capital investments.
Hurricanes & wildfires could dramatically increase the risk of operational disruption if either occur during Q4.
Seems as if land, buildings and other essential producing assets are being bought by non-US entities. It's in-house outsourcing if you ask me.
Inflation and increased taxation are having a detrimental effect on us and our customers.
With the weak economic outlook, declining volumes make operational risk a larger factor.
Slight risk due to supply chain on parts for repair if it were to occur.
Storms and wildfires are putting distribution centers and the ability to operate at risk and will likely continue into Q4. Additionally, the inability to sustain output due to the associated risk complicates the customer experience.
Remains the same unless UAW strikes. Significant risk should UAW strike. Impact goes well beyond OEMs.
Expansion of our facilities, and the acquisition of a new company.
Improved processes and protocols set in place to prevent or mitigate potential disruptions..
Status quo.