2014 ICS Examiner's Report

LOGISTICS OF MULTI-MODAL TRANSPORT (LMT)

General Comments:

The level of passes this year was disappointing. With questions drawn from across the syllabus, the brevity of many of the candidates' answers (some consisted of less than a page) suggested that the subject had not been studied in sufficient depth to merit a pass.

Candidates should consider the need to keep up-to-date with business developments in this sector. There are plenty of accessible sources. Answers would have been improved by use of relevant examples.

As is so often noted by examiners, many candidates fail to answer the question set. Too often they write lengthy material of no direct relevance to the question. This results in their scoring few marks for their efforts. Particular difficulties which candidates experienced with individual questions are noted below.

Question 1:

A question of high topicality, with slow steaming, for example, regularly covered in the shipping press, as well as the lines' financial reports. However there are many different ways to save costs for the candidate to explore, covering planning, operational, technical, procurement and human factors across all transport modes.

Most candidates who attempted this question came up with a few examples. But not many answers covered the subject in the breadth and depth which was needed. To write 'slow the ships down', without explaining how this should be organised in the context of a liner service was not sufficient.

A number of candidates suggested that the best solution was to impose a bunker surcharge. This serves to pass the costs on elsewhere, but does not address the question of reducing fuel costs.
But other candidates thought that the impact of measures taken on customers would be to reduce freight rates.

With a question focused on the core topic of costs and cost management, which is almost certain to come up in any exam paper, it was disappointing that there were not more good answers.

Question 2:

The majority of answers failed to cover all the different factors which need to be taken into account in setting prices and, as with Q1, covered important topics all too briefly.

The majority of candidates saw this as an exercise in 'cost plus'. They gave long lists of operational activities for which costs must be identified and covered in the price. This was certainly a good start. Strangely, few candidates remembered that the ship system cost, port to port, is usually the single largest cost. Thus the most difficult decision when setting prices is how to decide what to charge for this part of the movement. A reference here to dominant and non-dominant legs would be expected, but few seemed to understand this. Likewise the challenges of understanding container surpluses and deficits and how they should influence the price you quote was overlooked by all but a few.

Other important factors, such as competition in the trade, the customer to whom you are quoting, contract v spot rates etc. got only occasional coverage. Again a proper explanation of how to assess your own prices against those of the competition would have secured good marks. A cursory mention to find out what the competition charge, and charge less, did not convince that the candidate had a good understanding of the subject.

Again this is a question which is absolutely central to the exam subject and the syllabus, and it was disappointing that few candidates were able to write good answers.

Question 3:

Fewer candidates attempted this question but, on average, it was one of the better-answered questions.

Most candidates understood the purpose of these international conventions and gave a good overview of the background to the development of the three.

Sadly the second part was all too often answered by giving a lengthy description of the terms of each convention, without drawing attention to specific differences between them.

A structured answer where the candidate took a specific part of the conventions would have been better. For example Limits of Liability, and then to state explicitly where the three conventions differed in how they addressed that aspect. It was designed to ensure that the candidate's knowledge would be reflected in the answer to gain the best possible marks.

The examiner was frequently left to jump back and forth in descriptive text to try to find if the candidate was describing similarities, for which there were no marks to be awarded. Or alternatively, whether they really had an understanding of the differences. This was an example of poor exam technique, and suggested that candidates need to learn how to structure answers which respond specifically to the question set.

Question 4:

This was the most popular question, and also the one which, on average, scored the highest marks. Basic knowledge of the purposes of bills of lading, waybills, and INCOTERMS was generally good.

Ultimately candidates let themselves down in two ways:

Part (a) specifically asked the candidate to compare and contrast. They should have highlighted the similarities and differences between a b/l and a waybill. Too many candidates immediately launched into lengthy descriptions of the three main functions of a b/l without considering the need to describe how that function related to a waybill.

Both parts of the question asked for reasons as to **why** the document/INCOTERM might be used in a real commercial situation. But sadly few candidates showed how to put their theoretical knowledge into practical use from a business standpoint.

Question 5:

This was one of the most popular questions, but not at all well answered.

Once again, candidates need to learn how to interpret a question, and a request to **discuss** a subject or a statement is an immediate signal that a one-sided answer will not suffice.

Yet the majority of candidates saw this as an invitation to describe the severe practical shortcomings of ports as transfer points between modes, particularly concentrating on less well-run ports in developing countries, and then conclude that this justified the statement.

Some of these descriptions of all the different issues which can cause a port operation to undermine multi-modal transport were comprehensive and well written. Others focused on one or two issues only. Candidates who quoted examples from other transfer points such as ICDs, railheads, distribution centres and so on, as well as ports, scored better marks.

But very few candidates considered how well-organised transfer points can add value to multi-modal transport. This would include the promoting of hub and spoke networks, reducing through transport costs, acting as distribution centres and port-centric logistics.

In answering a question such as this, candidates need to be able to see both sides of an argument. While their practical experience may cause them on balance to agree with this statement, it is essential to be able to put both points of view in the answer.

Question 6:

This is a question which lies at the heart of the subject of Logistics and Multi-modal Transport, and so it was disappointing that many answers failed to get to grips with the question.

It could be answered in several different ways. But what was expected was for the candidate to demonstrate an understanding of all the different activities and components which go to make up a logistics service. Also how logistics has enabled the global economy to function in a completely different way from previously. We now have sources of production thousands of miles from the point of consumption and lengthy and complex supply chains efficiently and cost-effectively managed.

Many candidates focused only on the transport activity, giving examples of commodities which are traded internationally, and the pros and cons of using different modes of transport. Unfortunately the important value-added components which distinguish 'logistics' from 'transport' were largely overlooked.

Most candidates failed to explain how logistics has enabled businesses to change the way they operate. These include off-shoring production, global sourcing of supplies, and manufacturing using components sourced from different countries or areas and so on. All of these strategies have brought significant changes and benefits to how the global economy operates.

Question 7:

Less than half of candidates attempted this question, and it was not well-answered.

Most answers correctly explained the requirement to track containers, to know their location and status, and to protect the company's assets. Some showed a good grasp of how an operator's IT systems could be used to facilitate this.

However the real heart of inventory management is how you use that information to support the business. In the case of managing a fleet of containers, this requires not only knowing the current stock of empty available containers in all locations, but also their comparison to agreed target stocks and the level of bookings. It also needs to show how you proactively manage your stocks globally, to redistribute from surplus to deficit areas, and the different ways to do this. The vital role that accurate forecasting plays in inventory management and the need for contingency planning were hardly mentioned.

Question 8:

This was not only the least-attempted question, but also the one with the lowest average mark.

This in itself was surprising, given the importance of the sales function in any business. Sales and Marketing comprises a distinct section of the Logistics and Multi-modal Transport syllabus. It would be expected that all candidates would have studied this aspect of the subject in some detail.

Many candidates thought that selling a service was only related to providing a quality product or service, while others recommended that having the lowest price would sell the package.

While having a product whose quality and price fits the market is undoubtedly required, there should have been no doubt that all businesses have to pro-actively promote their product or service to their customer base, and that there are a number of different sales channels through which this can be achieved. Marks could be obtained for explaining the role of a direct sales force, telephone selling, internet and web-based selling, advertising, and other ways to promote a service to customers.

Many answers showed an understanding of what a KPI is, and how it can be used to measure business performance. Unfortunately most of the examples of the KPIs given, related to the performance of the business as a whole, rather than the performance of the sales organisation. This is where one would expect to measure volumes against revenue secured, new customers won, customer retention rates, quotations given and accepted, number of hits on the relevant part of the company's website and suchlike.