



# FIFA World Cup 2010 – Risks Exposures for Businesses - a presentation for the IOD & IRMSA , 13 May 2010

Volker von Widdern

MD Marsh Risk Consulting - MEA

**MARSH**

**MMC** MARSH MERCER KROLL  
GUY CARPENTER OLIVER WYMAN



## Agenda - WC 2010 – Risks Exposures for Business

- Approach
- WC 2010 Match Schedule – Host City implications
- People on the Move
- Risk Inventory
- Risk Scenario's
- Risk “models”
- So what?
- Questions

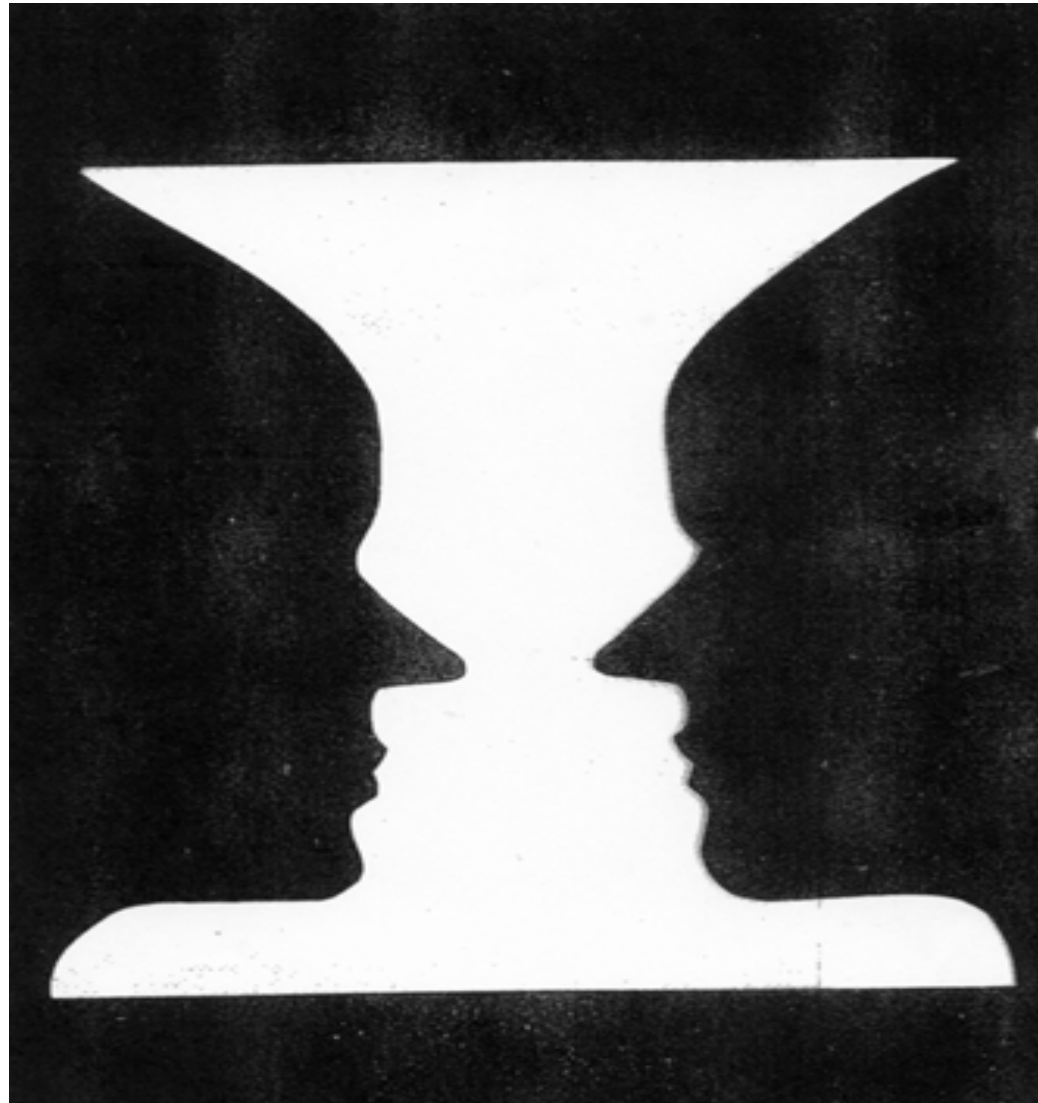


# Approach

- Optimist or Pessimist?
- Risk managers are still struggling with “known unknowns”
- How to address sudden and severe disruptions?
- Who included the Iceland volcano in their logistics threats last year?
- Event disruption is now a reality, even if the teams cannot get to SA?
- Visitor numbers could drop substantially – hospitality ROI?
- What does well prepared really mean?
- Unprepared could mean not considering sufficient risk scenario's,
- So what do you see...

# The importance of risk perception - what do you perceive?

**What do you see?**

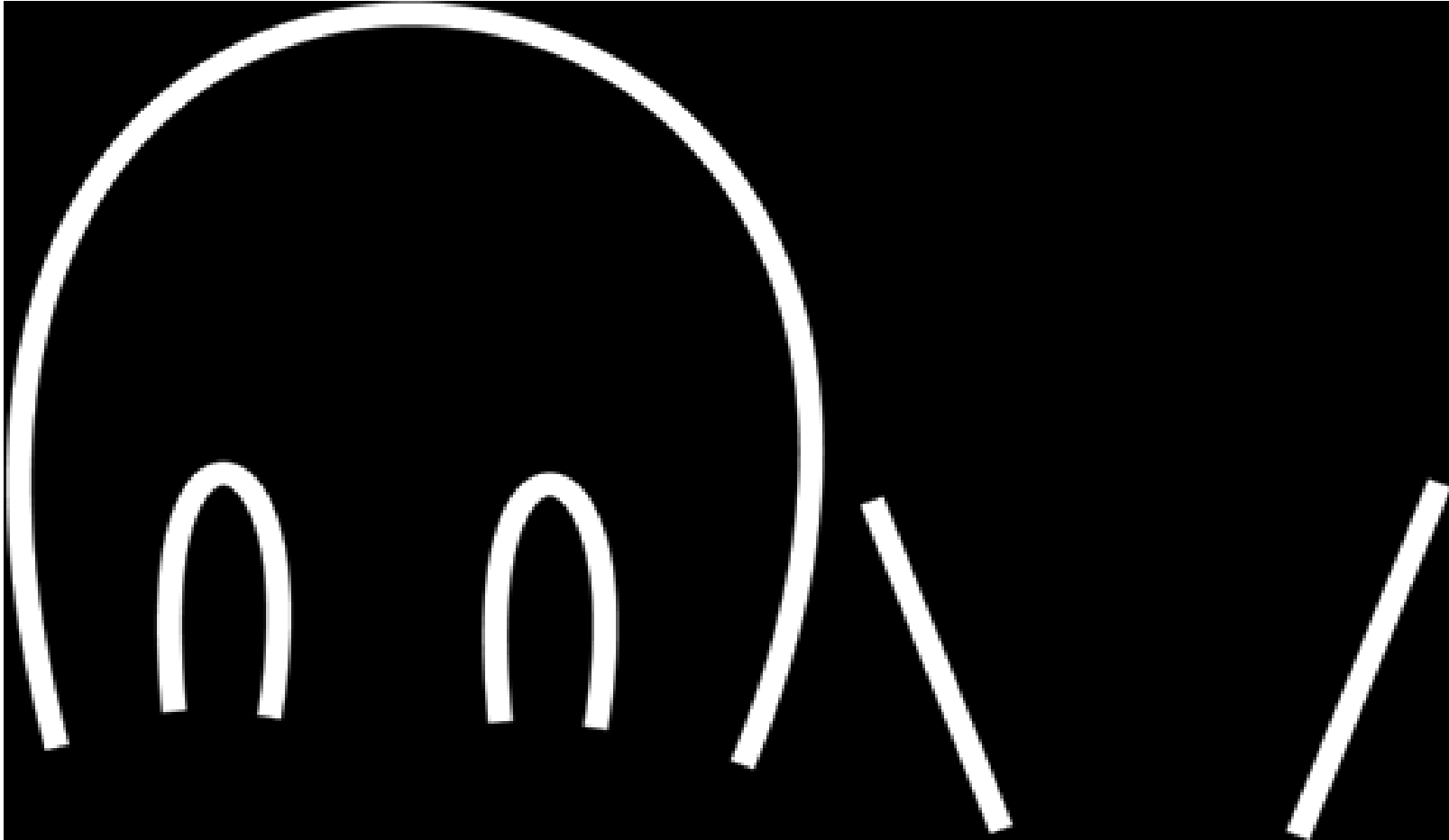


# The importance of risk perception - what do you perceive?

**What do you see?**



What do you perceive?



# WC 2010 – do you have resilience and appetite for key exposures?

**Pressure on cash flow**



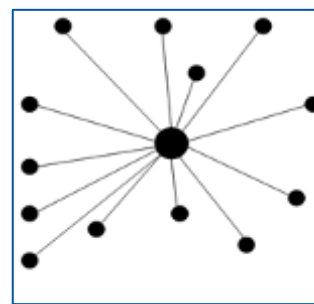
**Balance sheet exposure**



**Short and long-term goals and objectives**



**Centralisation of decision making and operations**



**Difficulty in accurate forecasting**



**Less margin for error**





## WC 2010 Match Schedule – Host City implications (assuming full attendance)

# WC 2010 match Schedule - extract

Zoom Out

## MATCH SCHEDULE 2010 FIFA World Cup South Africa™



	Group Matches							Round of 16							Quarter Finals		Semi Finals		3/4 Place and Final													
	Friday June 11	Saturday June 12	Sunday June 13	Monday June 14	Tuesday June 15	Wednesday June 16	Thursday June 17	Friday June 18	Saturday June 19	Sunday June 20	Monday June 21	Tuesday June 22	Wednesday June 23	Thursday June 24	Friday June 25	Saturday June 26	Sunday June 27	Monday June 28	Tuesday June 29	Wednesday June 30	Thursday July 1	Friday July 2	Saturday July 3	Sunday July 4	Monday July 5	Tuesday July 6	Wednesday July 7	Thursday July 8	Friday July 9	Saturday July 10	Sunday July 11	
<b>Johannesburg</b> Soccer City	1			2			3		4			5			6							7									8	
<b>Johannesburg</b> Ellis Park		9			10			11			12			13			14					15										
<b>Nelspruit</b> Mbombela						16				17		18			19																	
<b>Rustenburg</b> Royal Bafokeng		20			21				22			23			24							25										
<b>Mangaung/ Bloemfontein</b> Free State				26			27			28			29			30																
<b>Cape Town</b> Green Point	31							32			33			34								35										
<b>Durban</b> Durban			36				37			38				39																		
<b>Polokwane</b> Peter Mokaba			40				41				42			43																		
<b>Nelson Mandela Bay/Port Elizabeth Port Elizabeth</b>		44			45			46			47			48								49										
<b>Tshawane/Pretoria</b> Loftus Versfeld			50			51			52			53			54																	

Match numbers and provisional kick-off times will be confirmed in due course

## Match Schedule – Risks Exposures for Business

- 9 Host Cities
- 11 to 26 June – 5 or 6 matches each, +- every 3<sup>rd</sup> day
- Expect high levels of congestion
- Areas of greatest business disruption are expected to be around the venues and airports – logistical / sourcing and stock holding issues for businesses
- Pyrotechnics / fire risks “en route” – winning celebrations are more severe!
- 27 June to 7 July – 2 matches at each venue, lower logistics impact, but higher concentration risks?
- Fan parks - potentially less organised its crowds?
- Risk analysis per venue – what do we need to know about the “country risk” and associated perils, per match? Corporate entertainment could have liability exposures for injury to clients.
- What are the adjacency / proximity risks? MRC Risk Inventory is a start...
- What commitments have been made to clients and stakeholders?



# People on the Move

## People on the Move – Risks Exposures for Business

- Each team plays each match in a different Host City – thus at least 50 000 fans could be moving in and out of the Host Cities twice a week
- Context?
- ZCC / Moria involves over 1 million people travelling
- Argus Cycle and Comrades have over 100 000 travellers
- Road accidents – corporate and 3<sup>rd</sup> party exposure to clients in corporate transport?
- Failure of transport – fan anger, accommodation resources, etc
- Disease / contagion – many new viruses – “fear of flying / buses” ?
- Food poisoning, travelers diarrhea, flu epidemic



# MRC Risk Inventory<sup>SM</sup>

# Business Risk Inventory<sup>SM</sup>

## EXTERNAL RISKS

- Capital availability
- Competitor
- Customer needs
- Economy
- Financial markets
- Industry
- Legal
- Natural hazard/catastrophe
- Public relations / Brand
- Regulatory
- Sovereign/political
- Technological /innovation
- Terrorism
- Disease / Contagion
- Public disorder

## INTERNAL RISKS

Strategic	Operational				Financial
<ul style="list-style-type: none"> <li>▪ Business model</li> <li>▪ Business portfolio</li> <li>▪ Delivery channels</li> <li>▪ Intellectual property</li> <li>▪ Marketing/ advertising</li> <li>▪ Marketplace</li> <li>▪ Organisation structure</li> <li>▪ Planning</li> <li>▪ Product life cycle</li> <li>▪ Resource allocation</li> <li>▪ Social responsibility</li> </ul>	Process				<ul style="list-style-type: none"> <li>▪ Collateral</li> <li>▪ Commodities</li> <li>▪ Concentration</li> <li>▪ Counterparty</li> <li>▪ Credit</li> <li>▪ Default</li> <li>▪ Equity</li> <li>▪ Financial instruments</li> <li>▪ Foreign exchange</li> <li>▪ Interest rate</li> <li>▪ Liquidity</li> <li>▪ Modeling</li> <li>▪ Opportunity cost</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Alignment</li> <li>▪ Business interruption</li> <li>▪ Capacity</li> <li>▪ Change response</li> <li>▪ Compliance</li> <li>▪ Contract commitment</li> <li>▪ Customer satisfaction</li> <li>▪ Cycle time</li> </ul>	<ul style="list-style-type: none"> <li>▪ Efficiency</li> <li>▪ Environmental</li> <li>▪ Health &amp; safety</li> <li>▪ Knowledge Management</li> <li>▪ Measurement</li> <li>▪ Partnering</li> </ul>	<ul style="list-style-type: none"> <li>▪ Physical security</li> <li>▪ Product/service Development</li> <li>▪ Product/service liability</li> <li>▪ Product/service failure</li> <li>▪ Product/service pricing</li> <li>▪ Relationship Management</li> </ul>	<ul style="list-style-type: none"> <li>▪ Sourcing</li> <li>▪ Strategy implementation</li> <li>▪ Supply chain</li> <li>▪ Transaction Processing</li> </ul>	
	Management Information	Human Capital	Integrity	Technology	
	<ul style="list-style-type: none"> <li>▪ Accounting information</li> <li>▪ Budgeting &amp; forecasting</li> <li>▪ Completeness/accuracy</li> <li>▪ Investment evaluation</li> <li>▪ Investor relations</li> <li>▪ Pension fund</li> <li>▪ Regulatory reporting</li> <li>▪ Relevance</li> <li>▪ Taxation</li> </ul>	<ul style="list-style-type: none"> <li>▪ Accountability</li> <li>▪ Change readiness</li> <li>▪ Communications</li> <li>▪ Competencies/skills</li> <li>▪ Empowerment</li> <li>▪ Hiring/retention</li> <li>▪ Leadership</li> <li>▪ Outsourcing</li> <li>▪ Performance Incentives</li> <li>▪ Succession planning</li> <li>▪ Training/development</li> </ul>	<ul style="list-style-type: none"> <li>▪ Conflict of interest</li> <li>▪ Employee fraud</li> <li>▪ Ethical decision-making</li> <li>▪ Illegal acts</li> <li>▪ Management fraud</li> <li>▪ Third-party fraud</li> <li>▪ Unauthorised acts</li> </ul>	<ul style="list-style-type: none"> <li>▪ Access</li> <li>▪ Availability</li> <li>▪ Data integrity</li> <li>▪ e-commerce</li> <li>▪ Infrastructure</li> <li>▪ Reliability</li> <li>▪ Technological Capacity</li> </ul>	

## INDUSTRY-SPECIFIC RISKS

*Developed in conjunction with MMC industry specialists and the client.*

## Risk Inventory – Risks Exposures for Business

- Have the risk registers been updated?
- Is that good enough – what are the consequential scenario's?
- What are the resilience tests?
- Can risk controls be assumed to be in place with a disrupted workforce?
- Hazard risks – rain / flood, fire, wind, lightning



# Risk Scenario's

## Risk Scenario's (1) – Risks Exposures for Business

- Airport disruption – locally needed critical equipment?
- Areas around venues – logistics ; stock levels; public disorder
- Disease / contagion – hospital facilities overwhelmed; staff impact
- Terrorism – impact on staff and clients; venue threat analyses
- Services disruption (water, sewerage, electricity) – productivity?
- Long tail exposures – liability claims; corporate packages?
- Vandalism – property / BI impact
- The smaller the business, the larger the possible impact
- Financial effects of unsold stock

## Risk Scenario's (2) – Risks Exposures for Business

- BA strike; Iceland volcano...
- SA related Nat Cat's – major storms, lightning (crowd & traffic effects)
- SA strikes; absence & leave – capacity scenario's for reduced trading and production ?
- Brand association with ambush marketing / legal claims
- IT risks – internet based fraud, viruses
- Foreign disruptions with local impacts.....how to see around corners?
- Local disruption with foreign reaction – athlete death and team withdrawal



Risk “models”

Shifting paradigms in risk evaluation

## Risk Models – Porter's 5 Forces

- Consider “Impact” / “Exposure to” in context of the Forces:
  - The threat of substitute products or services
  - The threat of entry of new competitors
  - The intensity of competitive rivalry
  - The bargaining power of customers
  - The bargaining power of suppliers
- What are the “Forces” in the insurance industry
- How much does the organisation know about their business wide exposures?
- What is the resilience of revenue and market share under adverse conditions?



# Risk Models – Gladwell's Tipping Point

- The Law of the Few **-are there key influencers in your business area?**
  - Connectors are the people who "link us up with the world"
  - Mavens are "information specialists"
  - Salesmen are "persuaders", charismatic people with powerful negotiation skills
- The Stickiness Factor
- The Power of Context
- **Thus where might the next “wave of risk” come from?**
- WEF Risk Interconnectedness...3 years of commentary
- WEF commentary on concentration risk..
- Stickiness of credit crisis – when will financial capacity be rationally structured , vs “sentiment”?



# Risk Models – NN Taleb's Black Swan

- Examples
  - rise of the Internet;
  - the personal computer
  - World War I
  - 9 / 11 attacks
  - **Iceland volcano ??**
- **Criteria: rarity, extreme impact, and retrospective (though not prospective) predictability**
- Black Swan in a Robust World: (recommendation extracts)
  - What is fragile should break early while it is still small. Nothing should ever become too big to fail (**what are the catastrophic exposures / key dependencies?**)
  - Counter-balance complexity with simplicity
  - People who were crash a school bus blindfolded should never be given a new bus.
  - Make an omelette with the broken eggs





So What?

## So What? – Risks Exposures for Business

- Where were the risk managers in the Credit Crunch? What was the predictable impact of counterparty exposures?
- Biggest risk may be lack of “scanning” and modeling / interpretive activities, as applicable to risk exposures for our business
- Check contract covenants & cover – suppliers and customers
- Rugby WC, Cricket WC successes – more prepared now
- Contagion (illnesses / incapacity) exposure is most wide spread based on expected people movements
- Can your business survive a 3 week “go slow” ?
- Localised impacts should be expected
- What will the press conclude from the event and how will it impact investment and growth prospects?
- ENJOY THE SHOW!



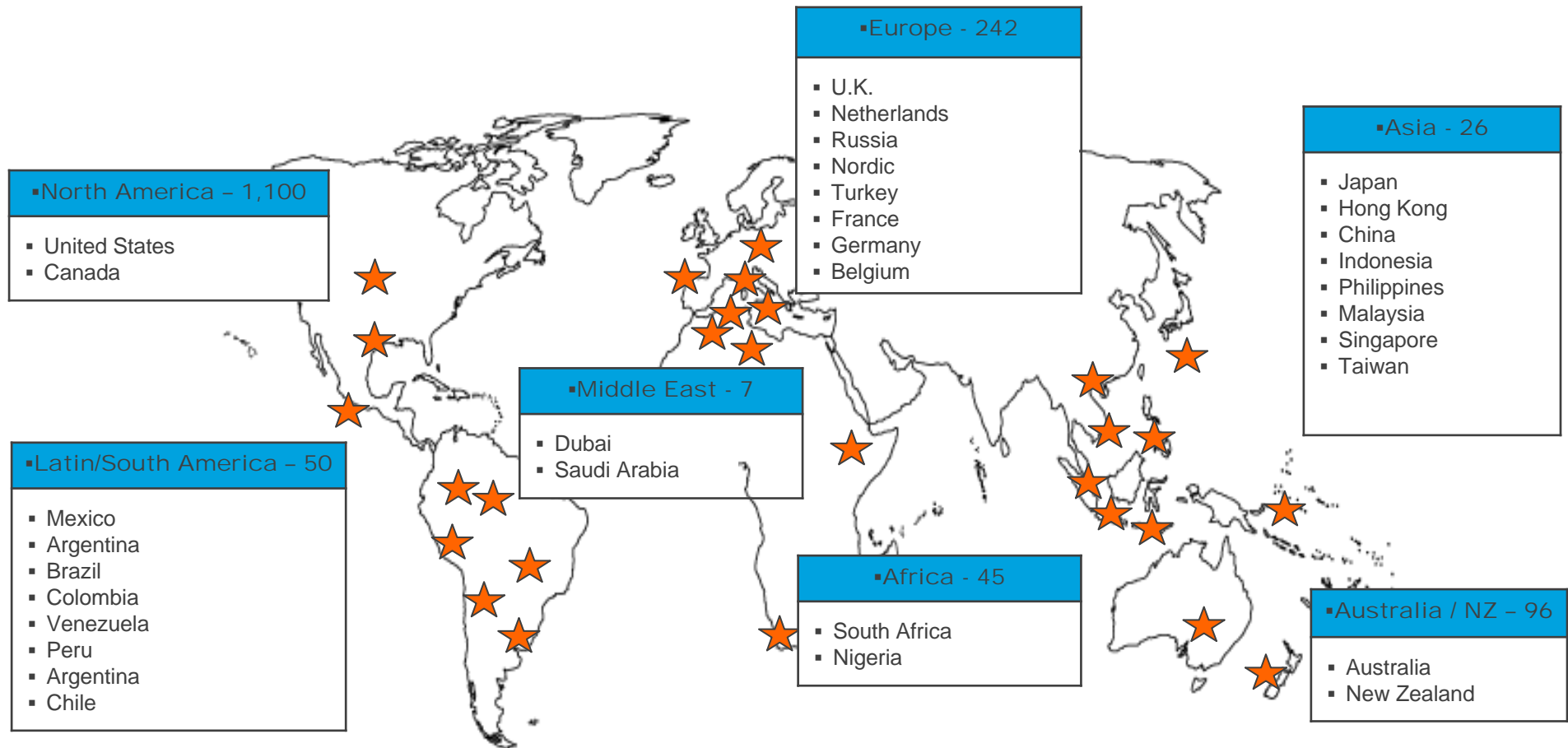
# Questions



# About Marsh Risk Consulting

# Marsh Risk Consulting Practice - Global Footprint

Marsh operate a global, integrated Risk Consulting Practice that provides its clients with risk knowledge and experience



## Our consulting offerings

The Risk Consulting Practice of Marsh is the leading global firm of over 1500 risk management specialists and \$240m in revenue. We are focused on three areas:

1. Strategic risk – helping senior managers make informed and calculated decisions around risk
2. Efficiency and compliance – putting effective protocols and processes in place around business and operational risk
3. Risk transfer optimisation – striking the right balance between risk and reward, with effective use of capital

# Global Consulting Practice Areas

(some local specifics e.g. environmental, valuations)



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# MARSH

**MMC** MARSH MERCER KROLL  
GUY CARPENTER OLIVER WYMAN



## South Africa – Johannesburg

Marsh (Pty) Limited  
4 Sandown Valley Crescent  
Sandton  
2196

Private Bag X14  
Benmore  
2010  
South Africa

Telephone: +27 (0) 11 506 5000

Facsimile: +27 (0) 11 506 5258

E-mail: [marshafrica.contact@marsh.com](mailto:marshafrica.contact@marsh.com)

Web site: [www.marsh.com](http://www.marsh.com)

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