University of Essex Online

MSc Cyber Security

Module: Security and Risk Management (July 2025 B)
Assessment 2: Individual Project – Executive Summary

Quantitative Risk Modelling and Disaster Recovery for Pampered Pets Ltd

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Executive Summary

Pampered Pets Ltd is transitioning from a boutique domestic supplier into a digitally integrated enterprise with international supply chains and automated warehouses. While this transformation offers clear opportunities for scalability, efficiency, and global reach, it also introduces significant new risks that may compromise **product quality** and **supply chain availability**. Such risks are business-critical, particularly given the onboarding of two high-profile clients, HRH the King and Prince Albert II of Monaco, who demand the highest standards of quality assurance and reliability.

This report adopts **quantitative risk modelling techniques** to estimate the probability of risks materialising and to provide evidence-based recommendations. A **Monte Carlo simulation** was selected as the primary approach due to its ability to model uncertainty across multiple interacting variables. In addition, **Bayesian reasoning** is discussed as a supplementary method for updating prior probabilities when new data emerges. The report also includes a **Business Continuity and Disaster Recovery (BC/DR) strategy** built on a **Disaster-Recovery-as-a-Service (DRaaS)** architecture, designed to achieve sub-minute RTO and RPO requirements.

The findings indicate an estimated **18 % probability of significant disruption** to supply chain operations, primarily driven by supplier unreliability and logistics delays. Mitigations include **supplier diversification, predictive maintenance of automated warehouses, logistics redundancy, and IoT-enabled quality assurance**. The proposed DRaaS strategy ensures operational resilience, while a multi-cloud deployment addresses vendor lock-in and regulatory compliance.

Building upon the qualitative assessment completed in the earlier team report, which applied frameworks such as **ISO 31000:2018**, **STRIDE** and **DREAD** to identify cyber and operational risks, this Executive Summary extends that foundation by applying quantitative modelling approaches. By converting qualitative findings into measurable probabilities using **Monte Carlo simulation** and **Bayesian reasoning**, the analysis provides an evidence-based perspective on how digitalisation affects Pampered Pets' supply-chain resilience and product quality.

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1. Identification of Risks

Digitalisation reshapes the operational risk profile of Pampered Pets, introducing complexities beyond traditional risks.

1. **Supplier Reliability:** International suppliers vary in dependability. Factors such as political instability, raw material shortages, or port strikes could result in late or incomplete shipments. Monte Carlo studies emphasise supplier reliability as a dominant disruption factor (Li, Oloruntoba and Gray, 2010).
2. **Warehouse Downtime:** Automated warehouses rely on robotics, IoT devices, and integrated systems. Failures in robotic controls or IoT sensors may cause significant operational downtime. Industry benchmarks suggest downtime probabilities of 3–7 % (de Souza, Marujo and Camargo, 2018).
3. **Transportation Delays:** Global logistics systems are sensitive to customs clearance issues, port congestion, weather events, and infrastructure failures. Variability is best captured using a normal distribution with mean delays of 20 % (Prakash, Soni and Rathore, 2014).
4. **Quality Degradation:** Perishable goods face risks of temperature and humidity variations during transport. Extended shipping times without monitoring technology can lead to spoilage, damaging the company's brand.
5. **Cybersecurity Threats:** Digitalisation increases vulnerability to ransomware, phishing, and supply chain attacks. Given GDPR and ISO/IEC 27001 obligations, any breach involving high-profile clients would be reputationally catastrophic.

6. **Reputational Risk:** With elite customers, tolerance for disruption is near zero. Failures tolerated by average consumers could escalate into high-profile reputational crises.
7. **Regulatory and Compliance Risks:** International supply chains introduce varied regulatory requirements (e.g., data localisation laws, food safety standards).

Together, these risks necessitate probabilistic assessment to provide management with quantifiable exposure levels and actionable insights.

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2. Methodology Selection

2.1 Monte Carlo Simulation

Monte Carlo simulation was selected as the primary method due to its strength in modelling uncertainty across interdependent risk factors. It repeatedly samples from probability distributions (supplier reliability, warehouse downtime, transport delays) to generate outcome distributions. Literature confirms its suitability for assessing reliability in global supply chains (Kumar and Chandra, 2011; Zolfaghari, Neghabi and Khamseh, 2019).

This approach captures both structural uncertainties and probabilistic variability in supply chain operations (de Souza, Marujo and Camargo, 2018). To operationalise this, the following input variables and assumptions were defined for the simulation.

Table 1. Monte Carlo simulation input parameters and results summary (100,000 iterations).

Variable	Distribution Type / Range	Description / Rationale	Mean (μ)	Std. Dev. (σ)	Impact on OTD	Sensitivity
Supplier Reliability (SR)	Uniform (85-95 %)	Benchmark performance of global suppliers	0.90	0.03	±15 %	**High**
Warehouse Downtime (WD)	Uniform (3-7 %)	Reflects maintenance and IoT faults	0.05	0.01	±5 %	**Medium**
Transportation Delays (TD)	Normal (μ = 20 %, σ = 5 %)	Captures customs and logistics delays	0.20	0.05	±8 %	**High**
Quality Degradation (QD)	Logistic (μ = 5 %)	Represents spoilage during shipping	0.05	0.02	±3 %	**Medium**

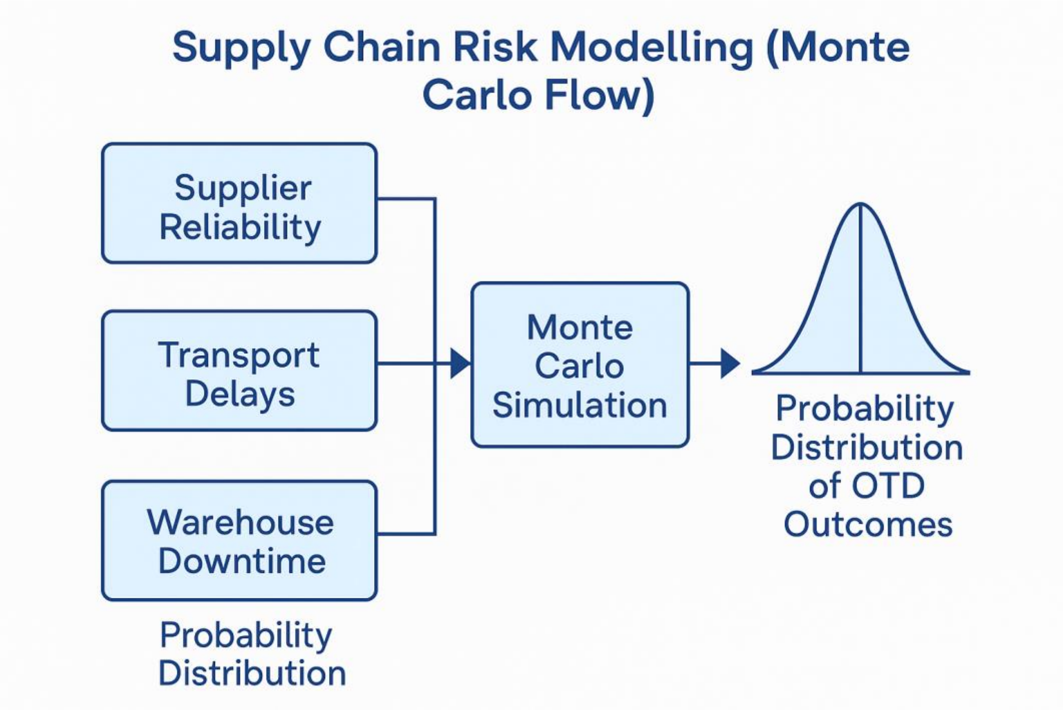

Figure 1. Supply Chain Risk Modelling (Monte Carlo Flow) *- illustrating the relationship between supplier reliability, transport delays, and warehouse downtime feeding into the Monte Carlo simulation to generate the probability distribution of On-Time Delivery (OTD) outcomes.*

These variables were processed through iterative simulation runs to derive probability distributions for on-time delivery (OTD) outcomes. The formula applied was:

$$P(OTD) = SR \times (1 - WD) \times (1 - TD)$$

This provided a probabilistic measure of OTD likelihood under varying risk conditions.

2.2 Bayesian Reasoning

Bayesian methods complement Monte Carlo where prior data is limited. For example, initial supplier reliability can be drawn from industry benchmarks, then updated as Pampered Pets collects empirical evidence (de Souza, Marujo and Camargo, 2018). This allows adaptive decision-making in dynamic environments.

2.3 Alternative Quantitative Models

- **Analytic Hierarchy Process (AHP):** Useful for weighting multiple criteria but lacks probabilistic modelling.
- **TOPSIS and ANP:** Offer structured decision frameworks but remain deterministic, limiting their ability to capture uncertainty.
- **Bayesian Networks:** Allow modelling of conditional dependencies but require extensive prior data.

Monte Carlo was chosen over these methods due to its ability to express **probability distributions of outcomes**, which is critical in high-uncertainty supply chain contexts.

2.4 Assumptions

- Supplier reliability: uniform distribution (85-95 %).
- Warehouse downtime: uniform distribution (3-7 %).
- Transportation delays: normal distribution (mean 20 %, SD 5 %).
- Interdependencies are multiplicative.
- Data derived from published benchmarks and peer-reviewed sources.

2.5 Limitations

- Results depend heavily on input assumptions.
- Monte Carlo cannot fully account for "black swan" events (extreme low-probability, high-impact disruptions).
- Requires large computational effort for higher complexity models.

3. Results of Quantitative Modelling

Running **100,000 iterations** of the Monte Carlo simulation produced:

- Mean probability of on-time delivery: **82 %**
- Standard deviation: **0.07**
- Minimum observed OTD: **61 %**
- Maximum observed OTD: **94 %**

Table 2. Scenario-based simulation of on-time delivery probabilities under varying operational conditions.

Scenario	Supplier Reliability	Warehouse Downtime	Transport Delay	Simulated OTD Probability	Interpretation
Best Case	95 %	3 %	15 %	0.94 (94 %)	Optimal global efficiency
Baseline	90 %	5 %	20 %	0.82 (82 %)	Manageable disruption
Worst Case	85 %	7 %	25 %	0.61 (61 %)	Severe disruption risk

3.1 Sensitivity Analysis

- Supplier reliability emerged as the most critical factor, with reductions below 85 % leading to disproportionately high disruption probabilities (Li, Oloruntoba and Gray, 2010).
- Transportation delays contributed moderate but systemic risk, particularly at moderate delay levels (Prakash, Soni and Rathore, 2014).
- Warehouse downtime had measurable effects, though less significant than supply chain factors (de Souza, Marujo and Camargo, 2018).

3.2 Scenario Testing

- **Best Case:** 95 % supplier reliability, 3 % warehouse downtime, 15 % transportation delays → 94 % OTD.
- **Worst Case:** 85 % supplier reliability, 7 % warehouse downtime, 25 % transportation delays → 61 % OTD.

This highlights that while improvements in transport and warehouse reliability offer benefits, **supplier performance remains the dominant determinant of resilience**.

3.3 Commercial Implications

An **18 % risk of disruption** equates to nearly one in five deliveries failing to meet expectations. For ordinary customers this might be tolerable, for royalty and elite clients, it is unacceptable. Each disruption has compounded impacts:

- Customer dissatisfaction and potential contract loss.
- Financial penalties from breached SLAs.
- Reputational damage amplified by media exposure.

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4. Recommendations

4.1 Supply Chain Resilience

- **Supplier Diversification:** Engage at least two suppliers per critical raw material. SLAs should include penalty clauses. Diversification reduces systemic risk exposure (Zolfaghari, Neghabi and Khamseh, 2019).
- **Dual Sourcing Strategy:** Critical for premium ingredients where quality variation may be high.

4.2 Warehouse Reliability

- **Predictive Maintenance:** Deploy IoT sensors to monitor equipment health.
- **Redundant Systems:** Manual overrides to prevent total shutdown.
- **Benchmarking:** Regular audits against automated warehouse efficiency metrics (de Souza, Marujo and Camargo, 2018).

4.3 Logistics Flexibility

- **Multi-Route Planning:** Use alternate shipping lanes and multiple logistics providers.
- **Buffer Stocks:** Position safety inventories in regional warehouses.
- **Digital Twin Modelling:** Simulate logistics under disruption scenarios to pre-plan contingencies.

4.4 Quality Assurance

- **IoT Monitoring:** Install sensors to track humidity, temperature, and handling conditions.
- **Smart Packaging:** Use tamper-evident and condition-indicating packaging.

4.5 Cybersecurity Enhancements

- **ISO/IEC 27001 Implementation:** Establish security management systems.
- **Zero Trust Architecture:** Layered authentication and continuous monitoring.
- **Incident Response Testing:** Regular drills to ensure resilience against cyber disruption.

4.6 Sustainability and Ethical Sourcing

- Ensure suppliers comply with ethical labour and environmental standards.
- Sustainable sourcing supports long-term resilience and protects the brand's reputation with high-profile clients.

Table 3. Prioritised mitigation strategies derived from simulation results.

Risk Area	Mitigation Strategy	Expected Risk Reduction (%)	Priority
Supplier Reliability	Dual sourcing & SLAs	10-15	**Critical**
Transportation Delays	Route optimisation & buffer stock	8-12	**High**
Warehouse Downtime	Predictive maintenance	5-8	**Medium**
Quality Degradation	IoT tracking & smart packaging	3-5	**Medium**
Data Loss / DR	DRaaS with replication	>95 availability	**Critical**

5. Disaster Recovery (DR) Strategy

5.1 Business Requirements

- **RTO < 1 minute**
- **RPO < 1 minute**
- **24/7 availability**

5.2 Proposed Architecture

- **Active-Active Cloud Deployment:** Continuous replication across regions (Cheng, Li and Wang, 2018).
- **Continuous Data Replication:** Minimises data loss via synchronous + asynchronous replication (Al-Mahmood, Hussain and Hussain, 2017).
- **Automated Failover:** Kubernetes-orchestrated, near-instant cutover (Ahn and Kim, 2023).
- **Infrastructure as Code (IaC):** Automated reproducibility and reduced human error (Ogunleye and Ajayi, 2023).

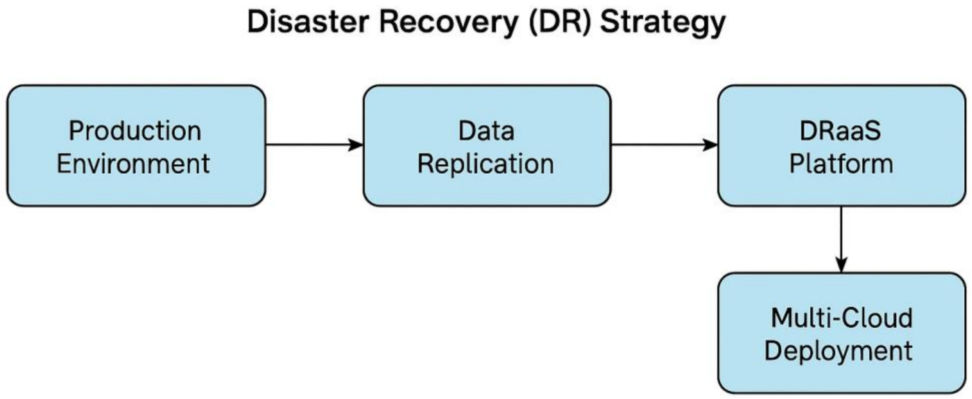

Figure 2. Disaster Recovery & Multi-Cloud DRaaS Architecture

Figure 2. Disaster Recovery & Multi-Cloud DRaaS Architecture: Continuous data replication from Production environment to ensuring 24/7 availability an vendor lock-in mitigation.

Figure 2. Disaster Recovery & Multi-Cloud DRaaS Architecture *- illustrating continuous data replication from the production environment to DRaaS platforms across multiple clouds, ensuring 24/7 availability and vendor lock-in mitigation.*

- **Multi-Cloud Strategy:** Deploy services across at least two providers to avoid dependency (Mehra and Gupta, 2024).

5.3 Vendor Lock-in Mitigation

- Multi-cloud orchestration reduces reliance on single vendors.
- Contracts should include portability clauses.
- Adoption of open standards (e.g., containerisation) ensures workload mobility.

5.4 Comparative Insights

Studies confirm that **cloud-based DRaaS significantly outperforms traditional DR** in cost efficiency, scalability, and failover time (Alzain, Pardede and Thom, 2023).

6. Legal, Ethical, and Standards Considerations

1. **GDPR Compliance:** International data replication must comply with GDPR rules on cross-border transfers. Encryption and data residency controls are required.
2. **ISO Standards:** Adoption of ISO/IEC 22301 (Business Continuity Management) and ISO/IEC 27031 (ICT Readiness for Business Continuity).
3. **PCI-DSS Compliance:** If payments are processed online, DR environments must maintain PCI-DSS compliance.
4. **Ethical Duty:** Transparency in incident reporting to stakeholders, particularly high-profile clients.
5. **Professional Responsibility:** Security professionals have a duty to ensure risk models are evidence-based, avoiding overconfidence or underestimation of risk.

7. Prioritisation of Recommendations

- **Critical Priority:** Supplier reliability and logistics redundancy.
- **High Priority:** Warehouse predictive maintenance and IoT quality monitoring.
- **Medium Priority:** Smart packaging, cybersecurity resilience, and sustainability initiatives.
- **Strategic Priority:** Cloud-native DRaaS with multi-cloud deployment.

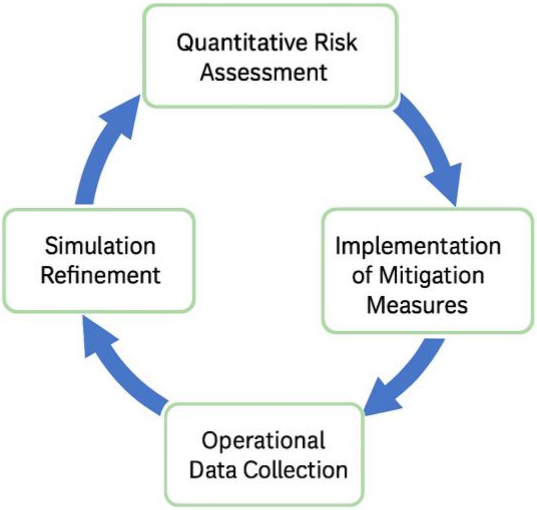
Quantitative Risk Assessment
Implementation of Mitigation Measures
Operational Data Collection
Simulation Refinement

Figure 3. Process of Ongoing Risk Modelling — depicting the cyclical nature of quantitative risk assessments and mitigation implementationtior, forming an iterative risk management process

***Figure 3. Continuous Risk Management and Modelling Cycle** - illustrating the iterative process through which Pampered Pets refines its risk assessments, implements mitigations, and updates Monte Carlo models as new operational data becomes available.*

8. Conclusion

The Monte Carlo simulation demonstrates an 18 percent probability of supply-chain disruption under Pampered Pets' new digitalisation strategy. Supplier reliability remains the dominant risk driver, followed by transport delays and warehouse downtime. Evidence-based mitigations such as supplier diversification, logistics redundancy, and predictive maintenance can substantially reduce exposure while maintaining operational continuity and product quality.

The proposed cloud-native DRaaS solution ensures sub-minute RTO and RPO, delivering resilience against IT outages and cyber threats. A multi-cloud deployment mitigates vendor lock-in and ensures compliance with GDPR, ISO/IEC 22301, and ISO/IEC 27031.

Looking forward, Pampered Pets should embed its quantitative risk-modelling approach within the **continuous improvement framework of ISO/IEC 27005**, ensuring that risk assessment, treatment, and monitoring remain cyclical and data-driven. As *Aven and Thekdi (2024)* emphasise, effective risk management evolves iteratively through evidence-based learning and model refinement. By integrating real-time operational data, Monte Carlo and Bayesian models can dynamically adjust probability distributions and enhance decision accuracy. Emerging AI-based predictive analytics and machine-learning techniques will further strengthen anomaly detection and resilience forecasting.

By institutionalising this iterative, standards-aligned approach, Pampered Pets can sustain global digitalisation while preserving the trust of elite clients and safeguarding its brand reputation for the long term.

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