The retail industry has always been adapting itself with changing trends and designs. As global connectivity and communications continue to evolve, retailers have also had to embrace the changing dynamics including their focus on consumer preferences according to latest trends, ecommerce models and the global economic uncertainty. To stay ahead in the competition, all retailers need to balance various factors such as price, brand image, location, quality, expense tracking and inventory management to maintain their profit margins.

Just like owing any business comes with inherent risks, the retail industry is no different. Many risk factors are involved while retailers try to successfully manage their businesses and meeting consumer demands. Thus, effective risk management has to be an important part of every retail business that aims to run and survive for a long time. Likewise, any risk management process must begin with identifying the risk factors that can potentially influence the business.

Let’s look at some of these factors and how they can be mitigated.

1. **Inventory Management**

Employers who run successful retail stores follow lean retail practices, where they replenish their inventory continuously during various selling seasons. However, this business model requires them to carefully track their inventory in order to ensure that the hot-selling items are always in stock. This is not an easy challenge and can potentially turn your business upside down if inventory is not properly controlled for a savvy and demanding customer base.

To mitigate the risk of going out of inventory, always keep track of your store stock. This task can be time-consuming if done manually. Use an inventory tracking system that can help you keep the hot selling items in stock, manage revenue stream, track thefts, and slowly move out less demanded items through sales. Also develop and maintain good relationships with your suppliers and buyers.

1. **Digital Theft and Data Breaches**

As online shopping trend has considerably increased post-covid times, e-commerce crimes are also on the rise. Digital criminals use several ways to target online retailers. For instance, a Distributed Denial of Service (DDoS) attack may cripple your server and prevent users from purchasing any items. A well-planned phishing scam may convince a customer or employee to willingly hand over their [contactless card](http://www.cardzgroup.com/ContactLessSmartCard.html) information. Even if the business is a brick-and-mortar store, a cyber criminal may hack into your Point-of-Sale (PoS) system.

Managing data-breach related retail risks can be prevented by keeping PoS equipment updated, and ensuring that your online retail system follows best practice security standards. You should also hire a cybersecurity professional to audit your software and systems.

1. **Damage to Inventory**

A natural disaster or unusual event affects both physical and online retailers that have goods stored in warehouses. Not only does it damage your physical structure, it may also cause power outage that results in damage of perishable items.

Part of your retail risk management strategy must include purchasing a commercial property insurance and getting it customized to your business-specific needs. A general retail insurance policy should also cover damages caused to the inventory.

1. **Physical Items Theft**

For conventional retail stores, shoplifters remain to be a major headache. According to a report by [National Retail Federation in 2019](https://nrf.com/media-center/press-releases/retail-shrink-tops-50-billion-cyber-threats-become-more-priority), U.S retailers suffered losses of more than $50 billion in 2018 due to theft, which was $4 billion more than the previous year.

One way to thwart thieves is by installing physical security system that includes video-monitoring, locked display cases for high-valued items, sensor-based product labels and tags, and sound alerts when a customer leaves or enters a store. Training employees to be able to detect shoplifters can also be an effective risk management strategy in retail. Some telltale signs of shoplifters include people moving in large groups for distracting employees and those switching price tags to buy a more expensive item at cheaper price.

1. **Brand and Customer Loyalty Risks**

Retail industry is a brand conscious one, where customers are always on the lookout for best prices with favored brands. This brand consciousness also applies to a retail store’s brand image. For a small store’s long-term success, repeat customers and a loyal customer base is very important. Any small negligence or mishap can force you to shut your doors forever.

Thus, it’s important to identify your target customers and market your store brand to the particular clientele. Find your competitive edge and promote your uniqueness. Build relationships with customers, advertise, create partnerships, and even better, go online.

**Protect Yourself**

Risks are always there in every business. An effective risk management process requires that you implement the right measures for reducing the potential occurrence of these risks. Risk avoidance is the first step towards ensuring a successfully running business, and furthermore, risk assessment of underlying systems must be periodically carried out to mitigate potentially arising threats.