

Enterprise Risk Management: Westcott Grocery



Group 1:

Darshan Nayak

Ushma Desai

Vasundhara Patil

Yirui Shen

Content

1. Overview
2. Risk Culture
3. Risk Infrastructure
4. Risk Identification
5. Risk Measurement
6. Top 5 Risks
7. References

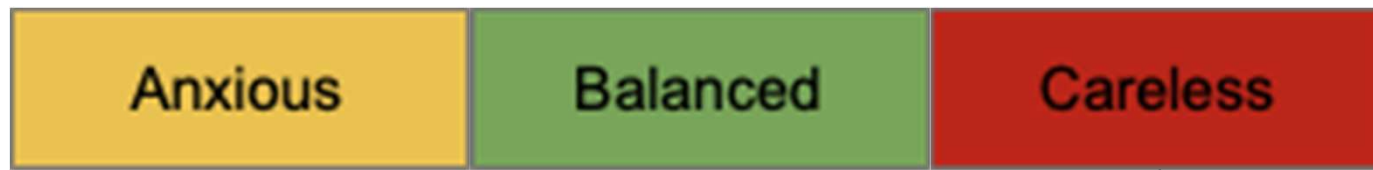
Overview



Westcott Grocery & Subway Restaurant is a grocery store located inside a vibrant eastside neighborhood rich in history, culture, food and entertainment. Located right next to some of the most popular restaurants in Syracuse such as Rise N Shine and Beer Belly, Westcott grocery is taking full advantage of their location. Being at the center of Westcott, Westcott Grocery is a place that many go to if they want to buy some groceries or just to grab a quick bite.

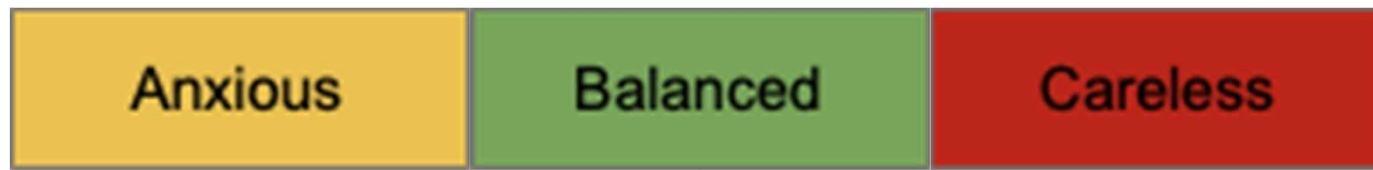
Risk Culture

Current:



Risk Culture

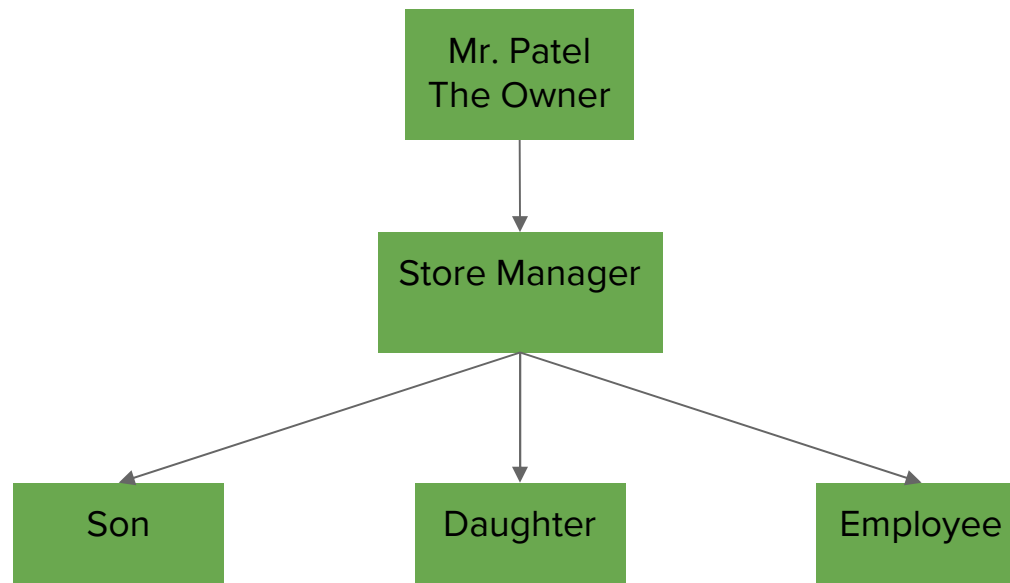
Suggested:



Current v/s Suggested

Old Paradigm (Current)	New Paradigm
Identified most risks, but not properly managed.	Identified all risks and their respective managements.
Does not account all risks.	Accounted for all the possible risks.
Ad Hoc approach to handle risk.	Thought-out and planned approach to handle risk.
Reactive model to handle risks (Risks are handled independently).	Structured risk management.
Less technological outreach.	Suggested to improve outreach by apps and websites.

Risk Infrastructure



Risk Identification

Interview:

Point of Contact: Mr. Rai Patel - Owner Westcott Grocery.

- 03/01/2020 - Met Mr. Patel to explain the project to him and seek his approval for the same (1 hour).
- 03/09/2020 - Met Mr. Patel to interview him regarding the operations of the store and other aligned businesses to understand the associated risks (1hour).
- 03/13/2020 - Spoke with Mr. Patel on conference voice call to verify the facts that we have drawn after doing the required research and notified him about the milestone that we have crossed (30 mins).

Interview Analysis

- Food safety complaint
- Extreme Snowfall
- Defective Products from Distributor
- Altered products
- Power outage
- Bad employee behavior
- Allergies not mentioned (Deli)
- Language Barrier



Scenario Analysis

- Overcrowding at the register
- Low on Staff
- Sale of Expired products
- Flu Season / Virus outbreak
- Theft/Robbery
- Employee theft



Industry Analysis

- Illegal sales
- Low sales of an item
- Misconduct of customers
- Shoplifting

Total Revenue in
2019



\$667bn

Number of
Businesses



66,116

Annual Growth
2014-2019



1.3%

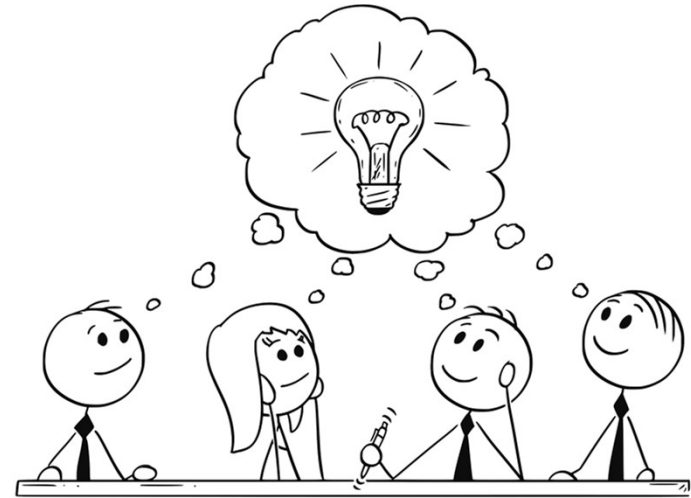
Industry
Employment



2,731,669

Brainstorming

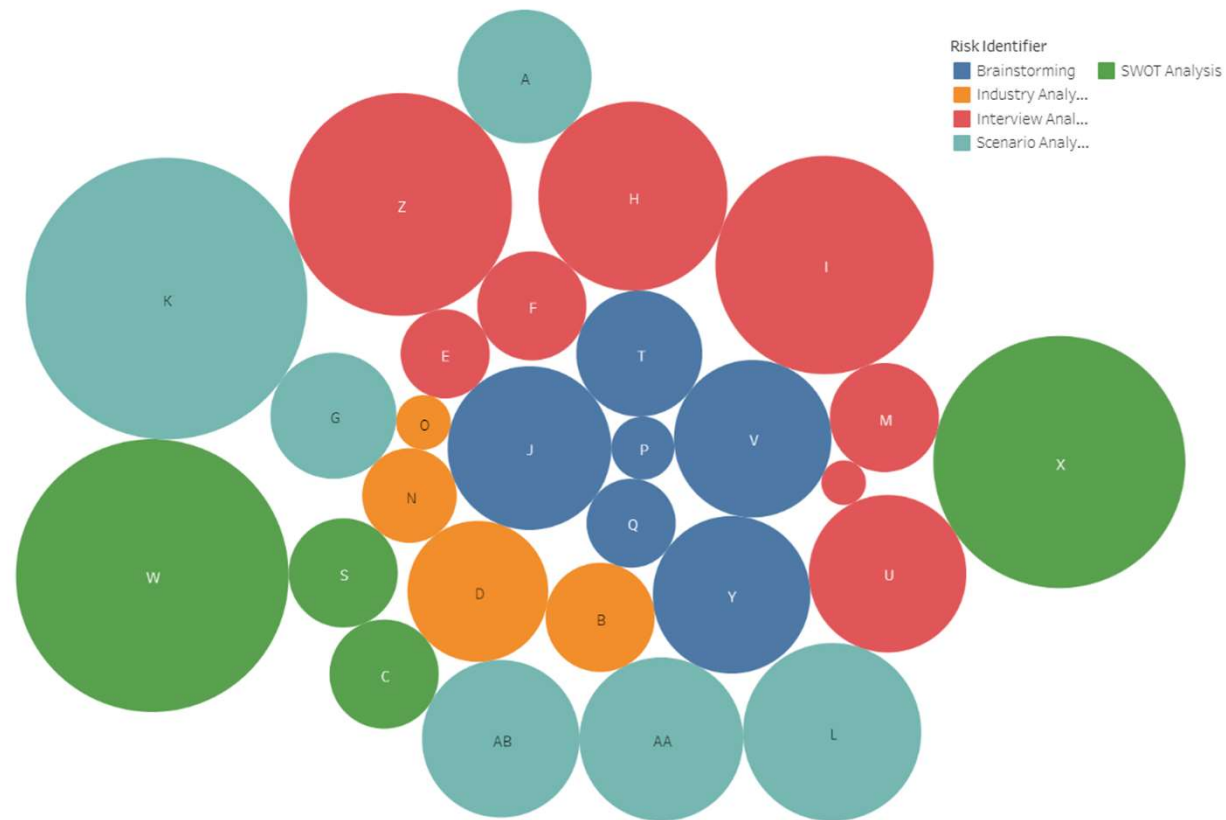
- Slip and fall of a customer
- Construction mishaps
- Late renewal of licenses
- Bad Health Inspections
- Pizza Oven not working
- Less customers due to school breaks



SWOT Analysis

		Positive	Negative		
		Strengths	Weaknesses		
Internal	RISK: Adverse publicity by customers.	<ul style="list-style-type: none">• Good location• Newly furnished storefront• Family ran business• Many residents closeby	<ul style="list-style-type: none">• Located close to a lot of good restaurants• Few safety measures• Low customer feedback• Breakdown of appliances	RISK: Low conversion rate and low satisfaction ratings.	
		Opportunities	Threats		
External	RISK: Cleanliness/ Hygiene standards for the Deli section.	<ul style="list-style-type: none">• Better marketing• Expansion into nearby cities• More technical outreach	<ul style="list-style-type: none">• Out of stock• Shoplifting• Food contamination• No customer	RISK: Damaged products.	

Risk Identification



Risk Measurement - Quantitative

fx Risk ID						
	A	B	C	D	E	F
1	Risk ID	Risk	Probability	Impact	Risk Measure = Probability * Impact^2	Risk Identifier
2	K	Over crowding at the register	5	4	80	Scenario Analysis
3	W	No customer	3	5	75	SWOT Analysis
4	X	Out of stock	4	4	64	SWOT Analysis
5	Z	Food safety complaint	2	5	50	Interview Analysis
6	I	Extreme Snowfall	3	4	48	Interview Analysis
7	H	Defective Products from Distributor	4	3	36	Interview Analysis
8	L	Low on Staff	2	4	32	Scenario Analysis
9	AA	Sale of Expired products	3	3	27	Scenario Analysis
10	J	Slip and fall of a customer	3	3	27	Brainstorming
11	AB	Flu Season / Virus outbreak	1	5	25	Scenario Analysis
12	U	Altered products	1	5	25	Interview Analysis
13	V	Construction mishaps	1	5	25	Brainstorming
14	Y	Late renewal of licences	1	5	25	Brainstorming
15	D	Illegal sales	5	2	20	Industry Analysis
16	A	Theft/Robbery	2	3	18	Scenario Analysis
17	G	Employee theft	1	4	16	Scenario Analysis
18	T	Bad Health Inspections	1	4	16	Brainstorming
19	B	Low sales of an item	3	2	12	Industry Analysis
20	C	Low customer feedback	3	2	12	Scenario Analysis
21	F	Power outage	3	2	12	Interview Analysis
22	M	Bad employee behavior	3	2	12	Interview Analysis
23	S	Broken Appliances	3	2	12	Scenario Analysis
24	N	Misconduct of customers	1	3	9	Industry Analysis
25	E	Allergies not mentioned (Deli)	2	2	8	Interview Analysis
26	Q	Pizza Oven not working	2	2	8	Brainstorming
27	P	Less customers due to school breaks	4	1	4	Brainstorming
28	O	Shoplifting	3	1	3	Industry Analysis
29	R	Language Barrier	2	1	2	Interview Analysis

https://docs.google.com/spreadsheets/d/1ueNcnM_v0nQUPdbSr2rTnOil7ZAJPaZaWVHLGpl3L0/edit#gid=0

Quantitative - Explained

Risk Measure: 27

(Sale of expired products, Slip and fall of a customer)

We prioritize risk measure 27 as follows:

1. Sale of expired products: The sale of expired products has costed Westcott Grocery alot in the past years. This risk alone has elevated a few other dependent risks such as bad reviews by customers, loss of customers, etc.
2. Slip and fall of a customer: This has been a very sticky issue especially in the winter when it snows heavily and people wearing huge snow shoes walk in the store and then the snow on their shoes turns into water and makes the floor slippery.

Risk Measure: 25

(Flu/Virus outbreak, altered products, construction mishaps, late renewal of licences)

1. Flu/Virus outbreak: This situation takes down the business of Westcott grocery buy a huge margin because of restrictions and laws in place.
2. Construction mishaps: These risks include a lot of financial concerns with itself including cost of rebuilding and insurance, etc.
3. Altered products: The problem of altered products has long been in this industry and has created lots of problems for the store owners time and again.
4. Late renewal of licences: This risk is on the side of the owner as it is their responsibility to renew license on time. However, in some cases, the licences are renewed after the deadline which cause certain financial losses to the owner.

Risk Measure: 16

(Employee theft, Bad Health Inspections)

We prioritize risk measure 16 as follows:

1. Employee Theft: Billions of dollars are lost across the economy every year as a result of employee theft. Employee theft is the stealing of goods, money or time by the people who work for you, such as employees or contractors. This can cause Financial and Operational Risk.
2. Bad Health Inspections: Inspections are important public services designed to keep restaurant-goers healthy and informed. A low inspection score can cause problems to the store and also get a low rating on yelp which will inturn lead to decrease in customers.

Risk Measure: 12

(Low customer feedback, Broken Appliances, Power outage, Bad employee behavior, Low sales of an item)

We prioritize risk measure 12 as follows:

1. Low Customer Feedback: Customers today are quick to write negative reviews online when they have a bad experience with a company. This will surely drive customers away from the store. Thus we are prioritizing this risk in the cluster.
2. Bad Employee Behaviour: Bad behaviours, especially at the workplace, are something which cannot be tolerated. It can spoil the good work environment at the workplace which can hinder the productivity of the employees.
3. Power Outage: Downtime as a result of power outages can cost your business a significant amount of money. Power outages can impact your bottom line and affect ongoing business operations.
4. Broken Appliances: Restaurant owners want their commercial appliance to work with full efficiency, so that they can smoothly run their business. A lot of kitchen activities rely on the commercial kitchen appliances. If one of the appliances stops working, business gets affected.
5. Low Sale of an item: Most ecommerce sites have some products that are of great quality and do a good job, but don't sell very well. The problem may be pricing, positioning, or presentation. This may cause a financial risk if it keeps reoccurring.

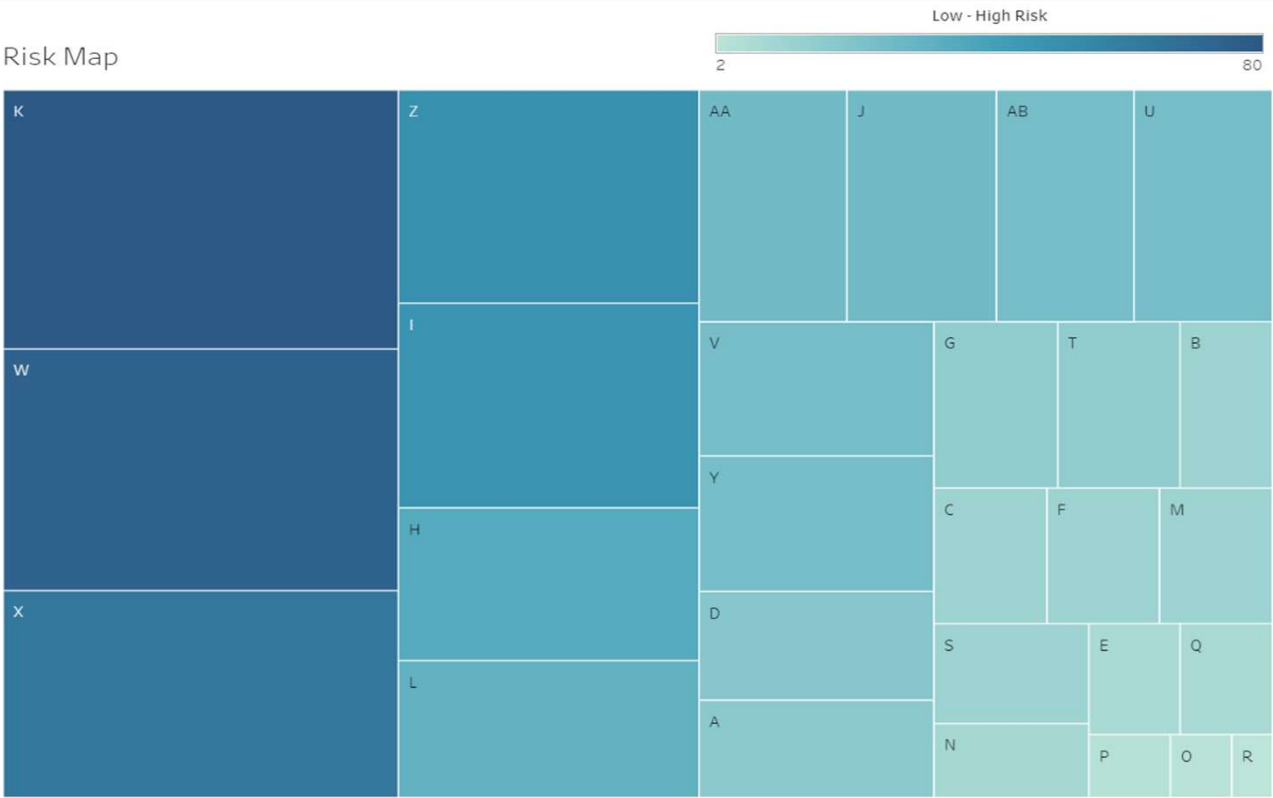
Risk Measure: 8

(Allergies not mentioned (Deli), Pizza Oven not working)

We prioritize risk measure 8 as follows:

1. Allergies not mentioned (Deli): Dining outside of the home can be difficult for persons with food allergies who must rely on restaurant staff to properly prepare allergen-free meals. Allergic reactions can range from mild to severe.
2. Pizza Oven Not working: Unlike the above risk, this risk will not be injurious to anyone's health. The store may lose a few customers from the deli section until its fixed.

Risk Measurement - Qualitative



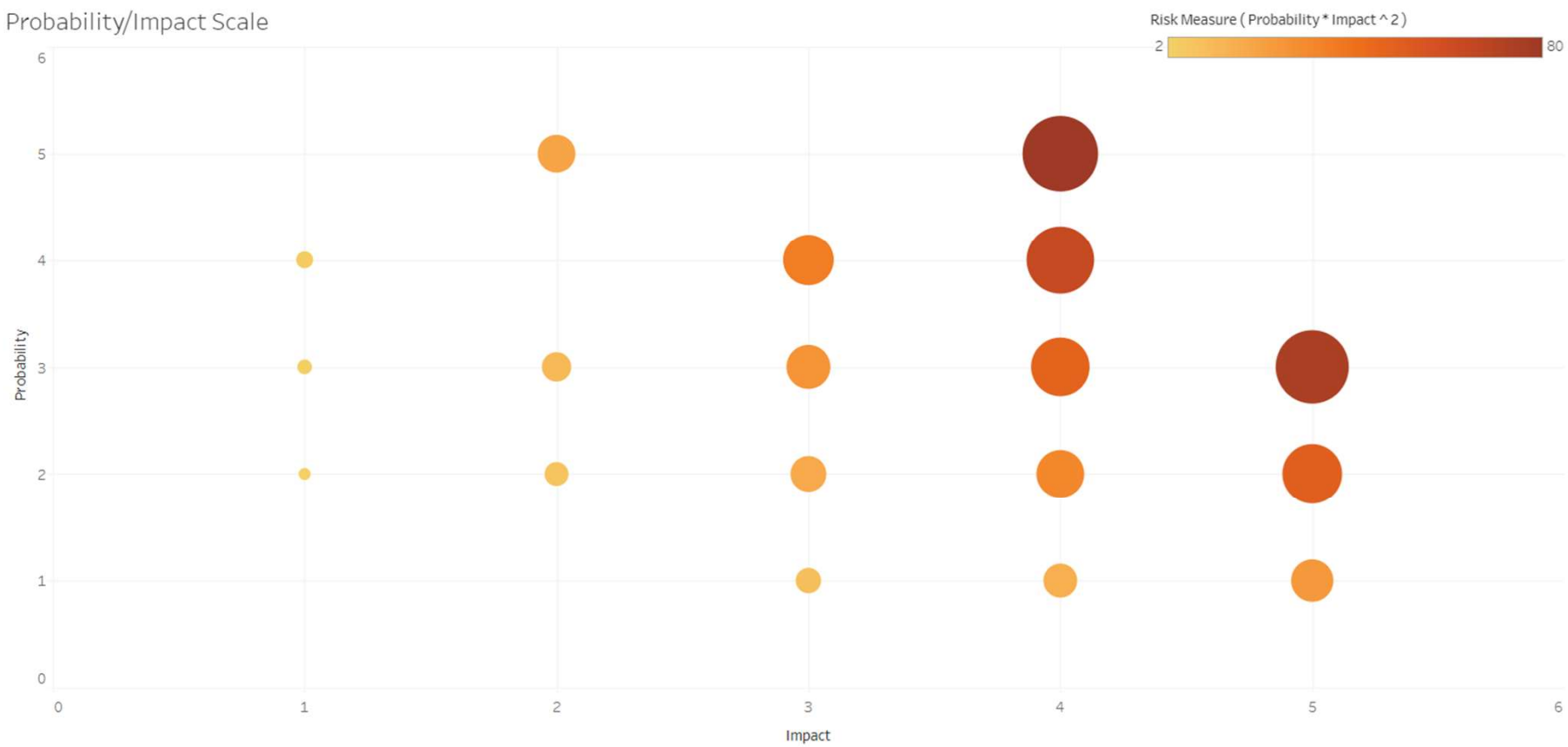
Impact Scale

Rating	Description	Definition
5	Extreme	Extreme damage Financial loss over \$3,500
4	Severe	Severe damage Financial loss between \$2,000 to \$3,500
3	Moderate	Moderate damage Financial loss between \$1,000 to \$2,000
2	Minor	Little damage Financial loss between \$500 to \$1,000
1	Accidental	Very Little to no damage Financial loss less than \$500

Probability Scale

Rating	Description	Definition
5	Common	Once in a week
4	Possible	Once in two weeks
3	Not frequent	Once in three months
2	Unlikely	Once in a year
1	Rare	Once in two years

Probability/Impact Scale



Probability & Impact Scale

Probability



Impact

Low	A	Moderate
Moderate	AA	Moderate
Very Low	AB	Very High
Moderate	B	Low
Moderate	C	Low
Very High	D	Low
Low	E	Low
Moderate	F	Low
Very Low	G	High
High	H	Moderate
Moderate	I	High
Moderate	J	Moderate
Very High	K	High
Low	L	High
Moderate	M	Low
Very Low	N	Moderate
Moderate	O	Very Low
High	P	Very Low
Low	Q	Low
Low	R	Very Low
Moderate	S	Low
Very Low	T	High
Very Low	U	Very High
Very Low	V	Very High
Moderate	W	Very High
High	X	High
Very Low	Y	Very High
Low	Z	Very High

Risk Management / Contingency planning and Risk Management

Top 5 Risks:

1. Overcrowding at the register
2. No customer
3. Out of stock
4. Food safety complaint
5. Extreme Snowfall

Overcrowding at the register

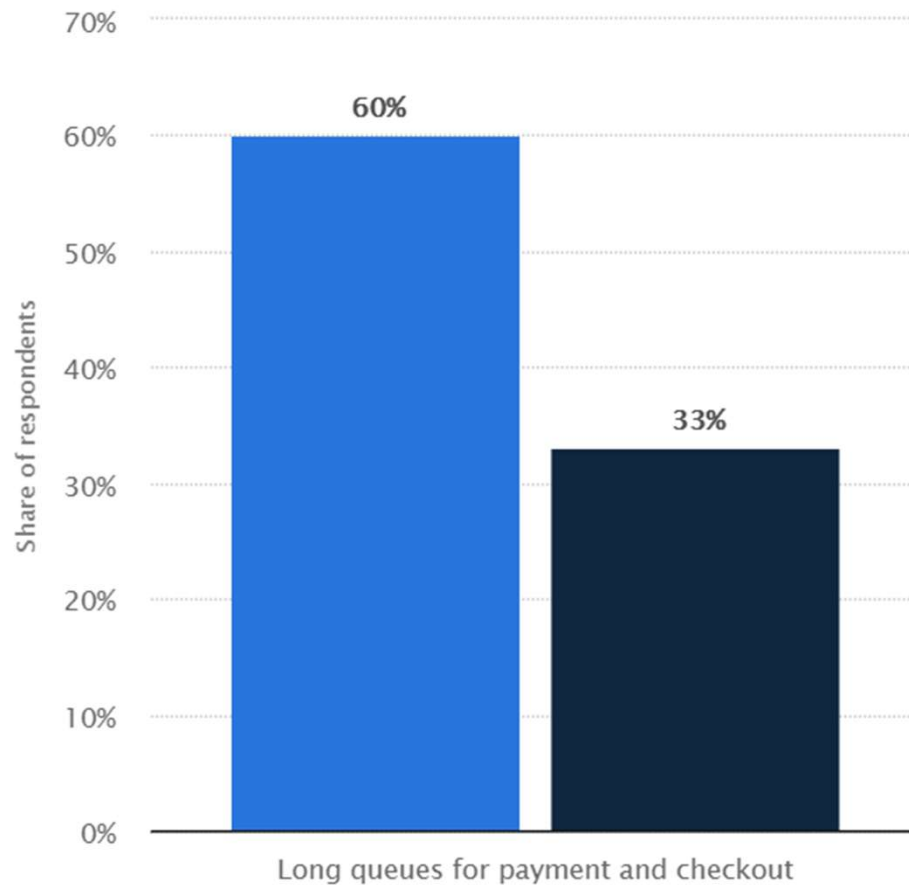
Owner of this business should try to avoid this risk

Identification: Scenario analysis

Measurement: PI matrix - 80

Indicator: Remarks from customers





Number of respondents

5,500 respondents

Age group

18 years and older

Special properties

5000 consumers and 500 retail executives

- Major pain points that customers face in stores
- Share of retailers who consider it as a pain point

Overcrowding at the register- Continued

Contingency Planning:

- Assign more staff register duty during peak times.
- Open up a temporary counter during peak time.

Disaster Recovery Planning:

- Arranging home delivery.
- Allowing ordering products online from a new mobile application.
- Opening up a new register just for online orders.
- Investing in technology that supports buy online pick-up in store (BOPIS).

No customer

The owner of this business should try to mitigate this risk

Identification: SWOT analysis

Measurement: PI matrix - 75

Indicator: Less customer count when compared to other days/weeks



No customer-continued

Contingency Planning:

- Set aside this time for other productive works. Eg: cleaning of the store, restocking shelves, arranging shelves, inventory counting, etc.
- Try to send some promotional messages to customers to attract them to the store during these idle times.

Disaster Recovery Planning:

- Stock up on some alternative products to sell in such time periods. Eg: Seasonal refreshments, Climate-related product.

Out of stock

Owner of this business should try to mitigate the risk

Identification: SWOT analysis

Measurement: PI matrix - 64

Indicator: Customer complaints and loss of business



Out of stock-continued

Contingency planning:

- Substitute the out-of-stock product with closest alternative product on the racks.
- Place orders for this product immediately.
- Keep a close watch on seasonal sale of some products in order to keep them in stock when their seasonal demands increase.

Disaster Recovery Planning:

- Update the inventory everyday instead of weekly updates.
- Keep an extra staff to watch out for the depleting stocks and order new stock.
- Know your customers.

Food safety complaint

Owner of this business should try to mitigate the risk

Identification: Interview Analysis

Measurement: PI matrix - 50

Indicator: Less customers at deli / USDA investigation



Food safety complaint- continued

Contingency planning:

- Extensive training on food safety.
- Monthly inspections.
- Regularly cleaning and disinfecting food preparation areas.
- Maintain food safety during handling, storage and transport.

Disaster Recovery Planning:

- Document the incident and complete a complaint report, investigate the incident.
- Follow up with everyone involved.
- Reflections and improvements.

Extreme snowfall

Owner of this business should try to mitigate the risk

Identification: Scenario analysis

Measurement: PI matrix - 48

Indicator: Heavy snowfall leads to slow business as customer footfall drops and most customers shift to online shopping



Extreme snowfall- continued

Contingency Planning:

- Set up home delivery service so that customers can place an order over a phone call or an app and have their groceries delivered at their home during heavy snowfall.
- Pick-up services can have customers pick up their selected groceries instead of them coming to the store and selecting the items.

Disaster Recovery Planning:

- With the online app, they can allow customers to fill their cart with the products and keep them ordered. Once the snow storm is stopped, they can deliver the products to the customers.

References

1. Westcott Grocery & Subway Restaurant. (n.d.). Retrieved from <https://westcottsyr.com/business/westcott-grocery/>
2. Westcott Grocery (n.d.). Retrieved from <https://www.manta.com/d/mb4vp5v/westcott-grocery>
3. Donlon, R. L. (2017, March 10). 10 risks supermarkets face as the industry changes. Retrieved from <https://www.propertycasualty360.com/2017/03/10/10-risks-supermarkets-face-as-the-industry-changes/?slreturn=20200204214319>
4. Industry Market Research, Reports, and Statistics. (n.d.). Retrieved from <https://www.ibisworld.com/united-states/market-research-reports/supermarkets-grocery-stores-industry/>
5. Insureon. (n.d.). Retrieved from <https://www.insureon.com/blog/retail-risk-management-the-top-threats>
6. Ready Training Online. Retrieved from <https://readyconvenience.com/articles/compliance-risks-convenience-stores/>

Thank You.