**ALY 6130 Risk Management Analytics**

**Signature Assessment Report**

**Instructor: Daya Rudhramoorthi**

**Student: Jie Wang**

**1. Introduction**

Almost every company is affected by COVID-19 and some of them went bankrupt during pandemic. For example, J.C. Penny filed for bankruptcy on May 15,2020. However, companies like Amazon still have high value of market proportion after quarantine because they focus on online shopping. Therefore, it’s a good deal for Amazon to acquire J.C. Penney, and Amazon has the strength to acquire it.

**1.1 S.W.O. T Analysis – Amazon**

**Strengths:**

1. *High Market Value:* Amazon has a big Market Value and its stock value was 2954.91 USD on September 20, and it has large amount of assets.
2. *Involved Many Industries:* Amazon has many products and subsidiary corporations in different industries.
3. *Strong Brand Effect:* Amazon has a successful brand effect and important position.

**Weaknesses:**

1. *Business Model is Easy to Imitate:* Amazon’s online business model is easy for other companies to imitate.
2. *Dependence on Distributors:* Amazon’s online shopping platform rely on distributors a lot, and the bad reviews of the distributor on Amazon’s platform also can affect Amazon’s reputation.
3. *Lack of Physical Stores:* Amazon doesn’t have physical stores similar to J.C. Penney.

**Opportunities:**

1. *Expand in More Markets:* Amazon has high market value, so it has big change to acquire other products to expand the markets.
2. *Expand Physical Stores:* Amazon can expand more physical stores by acquiring other companies or creating physical stores.
3. *Improve Coordination in Organization:* Amazon can improve the coordination in its different departments and different subsidiaries.

**Threats:**

1. *Increase Aggressive Competition:* Amazon can have more competitors after acquisition.
2. *Sales Recession:* It’s possible that Amazon can have economic recession after acquisition and J.C Penney can still have problem of sales recession.
3. *Strong Competitors Similar to J.C. Penney:* There are many competitors which similar to J.C. Penney such as Macy’s, Kohl’s, Burlington stores and Stage Stores etc.

**1.2 S. W. O.T Analysis – J.C. Penney**

**Strength:**

1. *Strong and Long History:* J.C. Penney has long history and it was funded in 1902.
2. *Diversified Products Sales:* J.C. Penney has so many products to sell which including clothing, shoes, outdoor apparel, athletic clothing, home goods, bedding and cooks etc.
3. *Customer Retention:* J.C. Penney has long history, so it has good experience to retain customers.

**Weaknesses:**

1. *Limited Market Share:* J.C. Penney only has 4.9 % market share.
2. *Low Stock Price:* J.C. Penney only has 0.28 USD stock price.
3. *Decreased Sales:* The sales of J.C. Penney decreased a lot, so it hosted sale promotion activities many times.

**Opportunity:**

1. *Look for good buyers for good price:* when have higher price to sale, there’s can be lower loss.
2. *Expand international market:* it’s a good way to increase the profit and business.
3. *Expand products:* more products can attract more customers.

**Threats:**

1. *Loss too Much for Selling the Company:* It’s possible that J.C. Penney to sell its company in a low price and has too much loss.
2. *Expansion of Competitor's Business:* Its competitors such as Macy’s can expand its business.
3. *Loss of Customers after Quarantine:* J.C. Penney lost so many customers which including memberships during quarantine.

**2. Identify Risks for Amazon**

**2.1 Aggressive Competitors**

Amazon already has plenty of aggressive competitors such as Alibaba, Costco, Walmart, eBay, Google and Netflix etc., because Amazon has too many industry chains which not only include online shopping platform, cloud computing services, physical grocery stores but also video platform. Therefore, it’s no doubt that Amazon can have so many competitors, and the business of many competitors only focus on one domain, so they tend to put all of their attention on how to be more attractive and competitive in the specific domain which can bring more pressure to Amazon. In addition, after acquiring J.C. Penny, the competitors of J.C. Penney will also be Amazon’s competitors. For example, Burlington Stores, Macy’s, Target and Kohl’s etc. The competitors also can have aggressive and effective strategies.

Analysis of the competitors is an important part for each business organization. In addition, there are many data and research that talk about the competitors. For example, there are lots of analysis and data about Walmart’s quarter sales and eCommerce Sales on their Newsroom section of corporate Walmart website. Moreover, similar data and analysis about other brands also can be found on Google.

The risk likelihood is high because Amazon already has plenty of competitors and the acquisition of J.C. Penney will bring more competitors. Therefore, as for this risk, the focus is not to avoid it but to mitigate the loss which caused by the risk or increase the competitiveness.

**2.2 Ineffective Governance between Amazon and J.C. Penney**

Amazon has many subsidiaries and each subsidiary is major in different industries. In addition, it’s impossible that all subsidiaries have exactly the same enterprise culture with Amazon. However, to reduce the risk of ineffective governance between Amazon and subsidiaries is important, especially when Amazon acquiring a company. For example, the first J.C. Penney store was established in 1902 and it has been 118 years by now, so the enterprise culture of J.C. Penney has a long history. Therefore, the risk can be ineffective governance between Amazon and J.C. Penney after acquisition. Furthermore, corruptions in the subsidiaries also can bring serious risk for Amazon which can result in profit loss. Amazon can collect the data about the monthly, quarterly or yearly revenue, the cost of the subsidiary, the employee performance and employee retention to analyze whether the risk will happen.

For the old and previous subsidiaries of Amazon, it has less possibility to let the risk occur but still need to be monitored. As for the new subsidiaries, the percentage of the risk can be high and it might cost a long time to adjust the cooperation and governance between Amazon and the new subsidiaries.

**2.3 Lose Money after Acquiring J.C. Penney**

It’s important to evaluate whether J.C. Penney can bring profits to Amazon after it was acquired. In addition, Amazon can try to acquire J.C. Penney at the lowest price. In this way, Amazon can save cost and prevent possible future loss. The risk likelihood probably would be low because Amazon has huge business network which can help J.C. Penney to do promotion and increase the sales. For example, Amazon can give customers who buy more than 500 dollars within a week on Amazon shopping platform a J.C. Penney gift card, it’s can be a win-win strategy. In addition, customers who are not satisfied with their products can return the packages to any J.C. Penney stores. Moreover, the risk assessment can be obtained from the sales of J.C. Penney after several promotion strategies with the cooperation of Amazon platform be implemented, the new customer volume and the customer survey etc.

**3. Qualitative Risk Assessment**

**3.1 Industry Fusion Analytics**

Craig (2015) states that industry fusion analytics combine macro-environmental analysis with industry analysis and demonstrates the unique creativity that is part of the world of business and competitive analysis. In addition, industry fusion analysis can help to match the strength and weaknesses of a company in the current environment so that the company can develop the positioning strategy.

Total probability scale: 1% - 9%. Total impact scale: 1% - 9. Impact of factors scale: 1% - 9%

3.1.1 Aggressive Competitors

Total impact of this risk is 9%. Total probability of the risk is 7%.

Factor 1: Effective strategies of competitors. Impact score: 9%. The strategies can be low prices, sale promotion and growth in reputation through advertisements etc.

Factor 2: Other industries enter the markets that Amazon already involves. Impact score: 5%. For example, Amazon started video streaming service in 2006 and Disney started video streaming platform in 2019. Therefore, Disney also can be a competitor for Amazon.

Factor 3: Lost customer retention and they tend be the customers of the competitors. Impact score:8%.

3.1.2 Ineffective Governance between Amazon and J.C. Penney

Total impact of this risk is 9%. Total probability of the risk is 4%.

Factor 1: J.C. Penney has long history and long enterprise culture which is different from Amazon’s. Impact score: 7%.

Factor 2: Remaining operation issues or governance issues in J.C. Penney. Impact score: 7%.

Factor 3: High employee anxiety and low employee engagement after acquisition. Impact score:8%.

3.1.3. Lose Money after Acquiring J.C. Penney

Total impact of this risk is 9%. Total probability of the risk is 4%.

Factor 1: No effective promotion strategies of J.C. Penney after acquisition. Impact score: 7%.

Factor 2: Remaining COVID-19 influence after acquisition. Impact score: 4%.

Factor 3: No attractive and effective plans to sponsors and stakeholders. Impact score: 6%.

**3.2 Scenario Analytics**

3.2.1 Aggressive Competitors

Scenario 1: Promotion activities and sales campaign on the holidays that host by different companies. For example, Amazon prime day, Macy’s, Walmart or Costco host sales campaign on Halloween or Christmas etc. Companies who have lower purchasing price can have lower selling price so that they can attract more customers, hence, they can win under the scenario. However, the companies who are smaller or who have higher selling price will lose the scenario. As for Amazon, the organization should contact the suppliers and chase for lower purchasing price and provide gifts or discount for customers to obtain more sales.

Scenario 2: All of retail companies have their perfect online shopping platform and delivery service. The sales of the industry will increase because it’s more convenient for people to buy things online. Companies who already have large number of customers and don’t have perfect online shopping platform will win in this scenario because online shopping can increase the sales. However, companies who already have online shopping platform might be affected. As for Amazon, the organization should have gifts or discount to attract more customers.

3.2.2 Ineffective Governance between Amazon and J.C. Penney

Scenario 1: Amazon have effective strategies to build great cooperation with J.C. Penney and other subsidiaries. Under this scenario, Amazon can help J.C. Penney to do promotion and increase the sales both for Amazon online platform and J.C. Penney. In addition, Amazon can use J.C. Penney physical stores to create its physical selling plans.

Scenario 2: There’s enterprise culture shock between Amazon and J.C. Penney. Under this scenario, the governance, operation and cooperation between Amazon and J.C. Penney will be affected. The competitors of Amazon and J.C. Penney might be benefited.

3.2.3 Lose Money after Acquiring J.C. Penney

Scenario 1: Amazon fails to attract more sponsors and stakeholders by presenting new, effective and attractive strategies as for J.C. Penney. The reputation and market value of Amazon might be affected. Also, the competitors might be benefited.

Scenario 2: Amazon sells J.C. Penney at the highest price. Amazon won’t lose money if J.C. Penney will be sold higher than the price that it was bought. However, the reputation of Amazon might be affected because Amazon can’t manage J.C. Penney effectively.

**4. Quantitative Risk Assessment**

The risk for quantitative analytics is losing money after acquiring J.C. Penney. Although the probability of this risk is not too high, the impact of the risk is really high. In addition, if the risk happened, there can be great negative influence for Amazon’s reputation. Therefore, Amazon can try to avoid the risk after analysis.

Craig (2015) claims that **indications and warning analysis** can give decision makers alerts about the potential risks when situation changes because it is a predictive tool that can track key points about the environment and competitors. In addition, the steps to finish a I&W analysis include 1. Identify indicators, 2. Identify the meaning of the indicators, 3. Rank the indicators, establish warnings and recommended responses.

Ranking of the indicators: more significance more +

*4.1 Dropped quarterly sales of J.C. Penney:* it’s a little short term to monitor monthly sales and monthly sales can’t be a good indicator, because the monthly sale can be decreased for last month, but it can be increased for this month. Therefore, I decide to use quarterly sales to monitor the revenue which can indicates whether the sales will decrease in the three months.

**+++++** The dropped quarterly sales of J.C. Penney can be important for Amazon, if the sales decreased persistently for two quarters, Amazon should take response to prevent more dropped quarterly sales. ***Warning****:* when the quarterly sales decreased for two quarters.

***Recommend responses****:* Amazon can use its own tools to help increase the sales of J.C. Penney. For example, promote J.C. Penney on Amazon online shopping platforms which can save the cost of advertisements.

*4.2 Negative influences on stock value: there* are many things that can affect the stock value such as bad news about the CEO, political factors also can negatively affect the stock value. The negative influences of Amazon not only affect Amazon itself but also affect its subsidiaries including J.C. Penney.

**++++** The negative influences on stock value can have impact on Amazon, if the stock value goes down, it means the market value goes down and the stakeholders will worry about the situation. ***Warning:*** stock value decreased for 5%.

***Recommend responses:*** when company faces the warnings, the public relations team can provide strategies to avoid worsen situation and try to find strategies that can help to save reputations.

*4.3 Remaining outbreaks of COVID-19 result in changes on the industry:* University of Chicago states that COVID-19 can affect all the world until 2025 and there’s can be challenges and changes in urban areas. Therefore, Amazon should still monitor the influence of COVID-19 for a long term.

**+++** COVID-19 can result in economy recession which means people might have lower income and have lower willing to spend money. ***Warning:*** revenue has been affected by COVID-19 for 3 months.

***Recommend responses:*** provide promotion activities and strategies to attract more customers.

*4.4 No revenue for 6 months after acquiring J.C. Penney:* if there’s no revenue after acquiring J.C. Penney for 6 months, solutions are needed to be used.

**+++++** This indicator can have great impact for Amazon because Amazon needs to put more efforts and investments but no revenue. ***Warning:*** no revenue for 4 months.

***Recommend response:*** sell J.C. Penney at the highest price to save the cost or try different strategies to survive J.C. Penney.

*4.5 Promotion strategies don’t increase the sales:* there’s should be an analysis about every promotion activity and every advertisement to conclude whether there’s revenue after each promotion.

**+++** Promotion strategies can affect the whole process and outcome of the project. ***Warning:*** at the middle stage of the promotion activity, there’s no increase and profit of the sales.

***Recommend response:*** do review and summary of the project and find ways to revise the mistakes.

*4.6 Customer attrition because of low customer satisfaction or customer competition:*decrease of customer retention because of competitors’ effective strategies or low customer satisfactions

**++++** if there’s no more customers, there’s no more revenue, it can affect the profit and the popularity. ***Warning:*** customer retention decreases 5%.

***Recommend response:***try promotion strategies and analyze the competitors’ successful strategies. In addition, increase the satisfaction of customers.

*4.7 Key senior executives are job-hopping to competitors’ companies:* the talents or veterans will be attracted by competitors’ companies. In addition, the sudden job-hopping of them can affect Amazon.

**+++++** it can have great impact for Amazon because talents and veterans can bring many benefits to Amazon, also they know a lot about Amazon, if they left Amazon to competitors’ companies, they might take valuable and confidential information about Amazon to the competitors. ***Warning:*** low working enthusiasm of the talents and veterans, and complaints from talents and veterans.

***Recommend response:*** increase the benefits for the talents and veterans or give them Amazon stocks.

**5. Key Risk Indicators, Threshold and Risk Response Strategy**

**5.1 Aggressive Competitors**

Amazon already has plenty of aggressive competitors, and the business of many competitors only focus on one domain, so they tend to put all of their attention on how to be more attractive and competitive in the specific domain which can bring more pressure to Amazon. The key risk indicators for aggressive competitors can be:

1. *Steep discounts that provided by competitors*: when competitors provide huge discount for customers which means Amazon’s customers can be attracted by the competitors. Amazon can decide whether they can provide the same or higher discount than the competitors but still can have good profit, and this process can involve CRISP-DM to help Amazon to obtain suitable models and evaluation. **The** **threshold** can be the selling price of the product is only 5% higher than the purchasing price. Moreover, ***the risk response strategy can be*** Amazon stops to reduce the price of the products but try to give customers points which can be used on Amazon platform.
2. *Innovative strategies that provided by competitors.* The innovative and new business models of competitors can affect the sales of Amazon. For example, Walmart, Costco and BJ’s etc. also start to have online shopping platform. Therefore, Amazon should monitor whether the sales drop a lot, ***the threshold*** can be the predictive model shows that the sales will drop 10% next quarter. Also, ***the risk response strategy can be*** Amazon hosting promotion activities or give gifts to customers who spend more than $500 to retain customers and increase sales

**5.2** **Ineffective Governance between Amazon and J.C. Penney**

The cooperation and governance between Amazon and subsidiaries are important for both Amazon and its subsidiaries, and the ineffective governance can result in negative business outcomes. The key risk indicators can be:

1. *Employee anxiety and engagement in J.C. Penney.* The employee satisfaction and engagement might be low after J.C. Penney is acquired. Therefore, Amazon can record the employee performance and satisfaction then use CRISP-DM to obtain the final evaluation and deployment. ***The threshold*** can be employee satisfaction and employee retention dopped 10%. ***The risk response strategy can be*** Amazon increases the employee profit or hire new employees who can adapt the new environment.
2. *Operation and governance in J.C. Penney****.*** It’s no doubt that a company can have its own problems before acquisition. Therefore, Amazon should collect comprehensive data about J.C. Penney and try to avoid the future problems. ***The threshold*** should be the ineffective operation and governance in J.C. Penney still negatively affect the sales. ***The risk response strategy can be*** Amazon tries to change the operation and governance policy immediately and create new policy that also related to the business models of Amazon.

**5.3 Lose Money after Acquiring J.C. Penney**

Every company acquires new products or companies to make more profit, but there’s still risk that they can lose money after acquisition. The key risk indicators can be:

1. *The revenue after acquiring J.C. Penney:* Amazon need to collect the sales data of every month and analyze the possible future outcomes to avoid big loss. Therefore, Amazon can monitor the monthly sales and quarterly sales. ***The threshold*** can be Amazon losing 5% of the price for acquiring J.C. Penney. ***The risk response strategy can be*** Amazon tries to find new buyers for J.C. Penney and sell it at the highest price or try new business models for J.C. Penney to find whether the situation will be changed.
2. *The market value after acquiring J.C. Penney.* If the market value of J.C. Penney drops a lot after acquisition, it can affect the reputation and asset of Amazon, the stakeholders and sponsors can doubt the managerial principles of Amazon. ***The threshold*** can be J.C. Penney market value drops 5% after acquisition. ***The risk response strategy can be*** Amazon changes the business models and find the suitable one for J.C. Penney to increase the market value.

**6. Risk Monitor and Control**

During risk monitor and control, the process includes conduct response strategies, track and monitor risks, identify and respond to new risks and improve the processes. The risk response strategies or plans are suitable for this project after evaluation, and project members should monitor the risk triggers and thresholds. In addition, after the check of the existing risks, they are not changed and not should be closed, but project members still monitor residual risks. Moreover, the risks should be monitored all the time especially the risk which has high impact and high probability.

The key risk indicators have been identified for the main three risks and project members should monitor the risks and key risk monitors, when the thresholds were exceeded, project members should take the response plan immediately to prevent further loss.

6.1 Risk Reassessment

It’s important to reassess the risks which has been decided by all team member. In addition, the rank or prioritization of the risks can be changed during the whole project which might needs additional qualitative and quantitative risk analysis.

6.2 Variance and Trend Analysis

This tool can be used to monitor whole project cost and performance, and when there’s significant deviations, project members should update the risks.

6.3 Status Meetings

Project members, stakeholders and people who are related to the project should have regular meetings to discuss the latest situation of the project.

**7. Reference:**

Mark Hall (2020). Amazon.com. Coauthor of Sunburst: The Ascent of Sun Microsystems. Retrieved from: <https://www.britannica.com/topic/Amazoncom>

Amy Tikkanen (2020). J.C Penney. The Editors of Encyclopaedia Britannica. Retrieved from: <https://www.britannica.com/topic/JC-Penney-Corporation-Inc>

Amazon SWOT 2020 | SWOT Analysis of Amazon. Retrieved from: <https://bstrategyhub.com/swot-analysis-of-amazon-amazon-swot/>

Hitesh Bhasin (2019). SWOT Analysis of J.C Penney. Retrievd from: <https://www.marketing91.com/swot-analysis-of-j-c-penney/>

Craig S. Fleisher & Babette E. Bensoussan (2015). Business and Competitive Analysis. Chapter 17, Chapter 18, Chapter 22.

Scenario Analysis: A Practical System for Airmic Members Guide 2016. Retrieved from: <https://www.belrim.com/app/uploads/2016/09/Scenario-Analysis-A-practical-System-for-Airmic-Members-2016.pdf>

COVID 2025: How the Pandemic is Changing Our World. Retrieved from: <https://news.uchicago.edu/story/covid-2025-how-pandemic-changing-our-world>  
Mark S. Beasley, Bruce C. Branson & Bonnie V. Hancock (2010). Developing Key Risk Indicators to Strengthen Enterprise Risk Management: How Key Risk Indicators Can Sharpen Focus on Emerging Risks.

William Vorhies (2016). CRISP-DM – a Standard Methodology to Ensure a Good Outcome. Retrieved from: <https://www.datasciencecentral.com/profiles/blogs/crisp-dm-a-standard-methodology-to-ensure-a-good-outcome>

Monitor and Control Risks. Retrieved from: <https://www.oreilly.com/library/view/pmp-project-management/9780470479582/9780470479582_monitor_and_control_risks.html#:~:text=The%20Monitor%20and%20Control%20Risks,improving%20the%20risk%20management%20processes>.

**Annexures:**

risk register S.W.O.T Analysis Risk Treatment plan

** ** ****