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Risk IdentificationReport

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# Introduction

Modern-day customers have evolved over the years, embracing digital transformation, resulting in businesses finding themselves at a critical crossroads. This has forced them to re-evaluate their business model(s) and align to their respective customer’s current preferred channel of interacting with their firms. Industry 4.0 has necessitated businesses to adopt digitalisation. Enterprises that fail to adopt and meet the expectations of a a digitally savvy customer. Expose their businesses to the risk of low turnover due to a reduction in business patronage. Pampered Pets, a brick-and-mortar store, based in Hashington-on-the-Water, considers adapting a digitalised business model.

# Approach and Methodology

In helping this business realise digitalisation, we have applied Octave Allegro, a robust risk assessment methodology that will serve, as a guiding principle, in identifying and prioritising vulnerabilities within their business's digital system. Secondly, the ISO/IEC 27001:2022 framework, being a standard that provides comprehensive guidelines for information security management systems (CERT, 2020; ISO, 2022), plays a critical role of being the.  guide in development of a solid digital business model complemented by a governance structure that will guarantee sustainability in both the medium and long terms. Our approach integrates seamlessly to Pampered Pets scope of work laying a best practice led foundation for a secure, well-structured, and thought-out migration plan for the transition into the vast expanse of the online business realm, with any possible downtime mitigated.

This being a small and micro enterprise business, we carefully applied the methodology in our risk assessment process, which identified critical areas of concern, which included:

* Outdated systems, which are a cybersecurity vulnerability threat vector posing a operational risks,
* Limited online presence hindering market reach because this business is an online novice.
* Dependency on local suppliers causing potential risks of supply chain disruptions (ITConvergence, 2023).

In mitigating the above risks, below is our elaborate risk assessment process.

# Risk Assessment and Recommendations

On studying Pampered Pets’ current business model, it was highlighted that they are candidates for potential cyber threats during the process of digitalisation. It was also identified that in the digital migration process, some operational cybersecurity threats could occur as well. Cybersecurity threats are possible data, network or application breaches and vulnerabilities associated with online platforms. Operational challenges in this particular case, involve adapting to new systems and mitigating potential down time during the transitioning phase, that a business must go through. Avoiding as many of these cyber threats and operational challenges as possible is very important for Pampered Pets. Strict cybersecurity measures must be implemented to safeguard the digitalisation process to try avoid potential threats. The digitalisation process should also, be implemented in phased approach to minimise possibility of down time.  
  
A 50% growth through the process of digitalization may seem exciting for businesses (United Nations, 2021), however, it is imperative, that the process of digitalisation be strategically approached for proper identification and mitigation of any potential risks and down time. Since, Pampered Pets, is a brick-and-mortar micro-enterprise, reliant on getting customer orders via email as well as in person, a risk mitigation plan is ideal. Email security coupled with multi-factor authentication, should be implemented to protect customer data in addition to General Data Protection Regulation (GDPR), standard compliance which is critical within the geographical jurisdiction of Pampered Pets’ store.

We recommend an update of the outdated computer software, implementation of a web application firewalls, on the wireless gateways, and to introduce a mandatory strong password security management policy, for all staff member’s devices accessing the wireless network.

Since Pampered Pets is looking into business expansion, it is recommended the maintain a very low risk profile. Therefore, we advocate for a small-scale, Enterprise Resource Planning (ERP), system with embedded modules below:

* Batch processing.
* CRM (Customer Relationship Management) functionalities.
* Production and inventory.

Quality control management. Additionally, having an online store, running on the proposed ERP system, would allow customers make new purchases, with online payment options, enhancing the entire customer experience.

A phased digitalisation plan, spanning an entire year, is critical as the risk management process remains a continuous process. In our suggested approach, it is cost reduction of up to 5%, is projected in the first year, and a further 5% in the second year.

Customer retention and the integration of online features are closely related, proven by the findings of many studies. (Johnson et al, 2021), highlighted in his study that a whopping 33% of customers across various businesses contemplate switching to competitors offering superior online features, underlining the significance to continuously integrate features for businesses that align with their customers' needs. Smith and Brown (2019), demonstrated in their research that businesses exceeding customer expectations in their online offerings experienced higher rates of customer retention and satisfaction compared to their counterparts with limited or no online presence. Similarly, (Garcia et al. 2020), showed in a study the growing expectation among consumers for businesses to provide many online features. It is evident that failure to meet these high expectations can lead to a huge decline in customer retention statistics.

It is clear to see from above, that even though there are risks for Pampered Pets, to begin the process of digitisation, the benefits are far greater and with the right methodology and framework in place, the business can become an even greater success.

# Conclusion

To conclude, businesses of any size need to evolve their way of conducting business to how customers interact today. This would mean starting the process of digitalization. Integrating robust methodologies and frameworks and implementing digitalization in phases is critical for businesses to avoid any potential cyber threats and down time. Pampered Pets would greatly benefit from implementing strategic and robust online features to aid their customer retention rate, see an increase in their annual savings. Embracing the digital age would only benefit a company such as Pampered Pets.

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