

Report on identifying risks with project

[Business](#), [Marketing](#)



IT Report – Electronic Stock Control System Risk Management

INTRODUCTION

In this scenario, a charity is selling donated goods through a variety of locations, assessing their value through an “expert” and often making changes to the inventory as they see fit. The charity wants to set up an electronic stock control system and sell their donated goods through e-commerce in order to increase their revenue. There are many risks that must be assessed, each of which carries a varied level of importance and significance. Once those risks are assessed, steps must be taken through proper risk management to avoid as much liability or damage as possible. This report will go over the risks involved, as well as ways to address them. With the help of an effective options-based risk management system, the charity can decide if the e-commerce store can be sustained and will generate revenue for them.

The largest and most important risk involved with this project is the dubious nature of selling donated and used goods over the Internet. There are many things that could go wrong – the customer could be dissatisfied with the product, the “expert” that is brought in could provide an inaccurate assessment of the product, and so on. (Rooyen and Reitsma 2004) If the charity were selling new and wholesale goods over the Internet, they could work with an established value, as there would be a consistent quality to the merchandise. However, two of the same item could have different conditions, which would necessitate unique pricing for both. Also, proper security measures need to be taken to ensure that customer’s financial information is made secure and is protected from fraud. (Jones 1999)

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There are many more inventory-related stock control risks involved with this project. First, there is the fact that there are multiple shops that are being incorporated into a single system. According to the information provided, the charity sometimes finds cause to transfer items between stores. As a result, it can be very difficult to keep track of what shop has the item at any given time, making shipping a much more involved process if someone purchases it online.

Furthermore, the liquidity of the products must also be considered – the charity is in a constant state of liquidation, as they are always attempting to move old products out to make room for new ones. (Haslett 2010) There is the fact that donated items that do not sell for a certain amount of time end up being disposed of by the charity. That creates another factor to consider: what if a customer orders something from the e-commerce store that has been scrapped? It then becomes a greater problem keeping track of a consistent inventory. This is a risk that must be taken into consideration.

PROPER RISK MANAGEMENT

Risk management is “ the summary of all cost balanced measurements that you establish to mitigate, avoid or transfer a risk.” (Grebmer 2007) An option-based risk management framework could be used to determine whether or not the risks can be effectively managed; the charity can choose to defer this action until more information can be gleaned, create stages by which to handle the project, or simply abandon it based on its findings. (Benaroch et al. 2006) E-commerce is still an emerging market, and as such this type of risk management needs to be implemented to determine whether there is an audience that will pick up on their donated goods.

(Tajima 2011) Security measures must be put in place (such as 128-bit encryption for access to the cart) in order to protect people's financial information. (Slay and Koronios 2006)

One potential solution to the inventory problem is ensuring a comprehensive inventory of information assets, which is constantly maintained; whenever an object is sold, transferred or disposed of, it is reflected in the e-commerce store, and as such there is no discrepancy. (Kouns and Minoli 2010) With the help of this system, personnel would have the ability to know what items were in which location, and whether they still existed. Individual entries would have to be made for each item, regardless of condition; even similar items would need to be divided by condition level, which can be assessed by the "expert," so that different prices can be agreed upon for the items. Simultaneous consideration of capacity and inventory will provide a much greater return on investment, as there will always be a good idea of how much can be carried by an individual location, and resources can be allocated accordingly. (Frenkel et al. 2005)

Proper HR procedures can be undertaken to determine what employees can be trusted to handle the inventory process, and outside online advertising professionals can be brought in to help market the e-commerce store, provided it is cost effective. Proper certification of the "expert" brought in to authenticate and assign value to the items will help to provide a measure of satisfaction to the customer that they are paying the proper price for the item. These risk management procedures and more should provide an adequate solution for this charity to put up their e-commerce store; the only question is whether or not it is affordable enough to implement and still be

profitable.

Having factored in all of the best ways to minimize the aforementioned risks, the costs of implementing these measures must be factored in. The cost of hiring outside professionals to carry out and supervise the changes, provide security, pay for the hosting and operation of the e-commerce store, etc. cannot cost more than the projected income of a successful store.

CONCLUSION

There are many risks inherent in the implementation of an e-commerce store by a charity to sell donated goods, especially when the enterprise is already run in a particular way. However, with the implementation of option-based risk management, steps can be taken to determine whether or not the e-commerce store is a feasible option for this charity to take. Many of the risks inherent in this process are inventory-based; there are so many factors that are fluid and constantly changing that, in order to fit the mold of this already existing inventory system, the e-commerce system has to account for the changes in order to provide an effective online store.

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