

Continuity, Insurance & Risk Magazine

The retail sector is feeling the full effect of the financial crisis, but what other risks should they be considering? What are the absolute business continuity essentials? This feature will look at ways of selling risk to the board, supply chain management, critical asset identification and recoveries. It will focus on what business continuity measures retailers are keeping in place, which they are 'shaving' and the potential outcome of these decisions.

The editor would like some written comment from Julian by the end of the week if at all possible (*Max of 400 words*)

In challenging times businesses look long and hard at their costs. They scrutinise their corporate expenditure in the light of the realities they face. Today companies in the retail sector are facing a particularly hard time so are rightly examining all opportunities for cost savings and efficiencies.

Unfortunately some decisions will cost those businesses in the long term far more than any short term savings realised. Business Continuity, or the ability of a business to prevent and respond to disruptive incidents, can help identify potential issues and provide better information on which to base important decisions.

Business Continuity is not just about fires and floods. Business Continuity addresses anything that could affect a retailer's ability to trade. Often retail businesses spend limited and precious resources on high profile but extremely unlikely issues whilst neglecting statistically far more important ones.

According to the 2008 Cabinet Office/ Chartered Management Institute report on Business Continuity incidents, 'Fire' only accounted for 5% of recorded incidents, whereas 'Loss of IT' topped the chart at 43%. Given the extreme reliance of the retail sector on IT to support the tills, logistics and the back office resupply process, ensuring the durability of IT services and providing for fail over backups is critical. When budgets are tight IT spend on Servers or Connectivity is often a tempting target to cut, however headline costs alone do not give enough information on which to base important decisions. Retailers must also consider the increased risk over a period of time and older, less reliable equipment should be part of the

decision making process. Organisations must be able to make informed decisions with the confidence that both long and short term implications are fully understood.

Another area in which retailers are exposed is their relationship with suppliers. We know some suppliers will not make it through these hard times, and a retailer may not get any warning before some vanish over night. Without a supply chain contingency plan many retailers will quickly find its own operations in jeopardy when one of those suppliers goes out of business. Although it may seem harsh, the retailer cannot wait for a supplier to fail before acting, active early risk based steps should be taken to ensure the impact is minimised.

“Retailers who recognised the importance of planning for disruptions are far more likely to survive a key supplier failing,” says Julian Thrussell, Business Continuity Manager at BSI Management Systems. “Business Continuity Management can make the difference between a business surviving and failing, particularly in regards to the risks around supply chain management. A supply chain disruption has the potential to have severe consequences to the bottom line, or even the brand.”

When a whole business sector faces difficulties, the impact on specialist suppliers is profound. Normally solid, well run and profitable businesses can fail overnight leaving customers without specialist and difficult to replace services. If business processes are interwoven with a supplier, the failure of that supplier will have far more serious implications. Business Continuity Management helps identify internal and external suppliers that deliver critical services and will provide the information needed to understand the risks.

“Retailers are already seeing some of their most trusted suppliers cease trading,” continues Thrussell. “This can happen suddenly, with little or no warning making it difficult to put alternative plans into effect quickly enough”.

Identifying critical suppliers and their associated risks, assessing the risks of current business practices and planning contingency measures is more critical than ever. In essence Business Continuity provides the framework for the provision of a ‘fallback plan B’.

Business Continuity will not only bolster the organisation through these hard times, but will also enhance efficiency in the long term.