

MICRO ENTERPRISE ITALY

The risk story 2



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Micro enterprise from Italy

Context of the Company and the Supply Chain

Enterprise 2 is a micro organisation of 4 employees founded in 2016. The Enterprise is part of the construction value chain. Enterprise 2 has two stores and sells various products (mostly hardware and gardening products) used in the construction industry. Enterprise 2 has a long relationship with its suppliers. The organisation mainly operates in the Italian market.

Digitalization of SC

Although Enterprise 2 does not have a structured risk management process, they address SC issues by monitoring the suppliers' performance. They conduct daily and an ex post-analysis of the orders. They control whether the suppliers respected the delivery time and count the number of non-compliant products per customer. They also compare the price trends of the products.

Risk Management

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Risks:

Operational risks. The main risk of Enterprise 2 is to remain without goods on stock to fulfil customers' orders. Notably, they have to buy in advance several gardening products because they are seasonal and in a high seasonal period are more difficult to retrieve.

Market risks. Enterprise 2 also experiences problems with suppliers' delivery time, non-compliance products, or damaged products during shipping or incomplete order shipment. Particularly, goods are produced worldwide, and logistic issues may damage them. Similarly, product quality may vary in each production plants.

COVID-19 risks. Enterprise 2 experiences an increase in product prices due to COVID. For some product, the prices increased even by 40%. A second challenge relies on fewer products available because production was stopped for several months. In some cases, it is no longer possible to pre-order the product because suppliers do not know how long they will have products in stock or when they will receive new batches from the producers.

Enterprise 2 encounters further issues with few suppliers using paper-based ordering procedure because their sales representatives are no longer visiting the stores due to COVID. And the ordering of products over the telephone generates misunderstandings.

Benefits of risk management:

With regard to the choice of the best supplier for future orders to address potential operational risks, the three founder partners decide it in regular meetings by analysing data of the suppliers' performance. Also, Enterprise 2 also mitigates these risks with a long-standing relationship with suppliers that assure specific products only to them and not to competitors in the area.

Enterprise 2 mitigates issues of potential product delays by planning in advance the shipment of products with regular and strong demand and for products that suppliers take 1-3 days to accept the order. Also, Enterprise 2 addresses supply chain risks by using digital catalogues to find the products faster, easier, and more accurate. Also, they can check the product availability in real-time. Digital catalogues send an alert to Enterprise 2 when products, previously unavailable, return available. Thus, Enterprise 2 reduces the time spent to seek the product and potential SC operational risks related to the lack of products in the stores. Enterprise 2 also enjoy digital catalogues because they sort products by categories. Enterprise 2 exploits this feature to select and propose products to customers in order to fulfil their needs in a better way. Enterprise 2 avoids potential cyber risks related to credit card data breach when they order with digital catalogues by paying by bank transfer.