



Retail Risks 2016

KPMG presents our view of the top risk by value driver faced by corporates in the Retail sector

Global

October 2016



2016 Risks for Retail

Emergence of fast evolving digital technologies, increased regulatory pressure and global economic uncertainty are key factors in the current risks landscape. KPMG Risk Consulting assists clients to develop robust risk mitigation methods by interpreting the underlying drivers of global risks.



Strategy

- Risk of having expanding international operations such as compliance with various regulations, economical and political developments, discriminatory fiscal policies etc., other than disruption in supply chain.
- Intense globalised competition due to creation of fewer but stronger competitors through consolidation in the industry.
- Increasing competition to provide omnichannel experience to shoppers, pressurizing companies to combine in-store and digital capabilities and provide a one-stop-shopping experience.



Technology

- Increasing pressure to invest in upcoming technologies, such as Internet of Things, Virtual reality, Driverless vehicles, Robots and Artificial intelligence, to improve efficiency and customer experience.
- IT risks relating to malfunction or disruption in the operation of the systems, or a security breach, could adversely impact the company's ability to compete.



Growth

- **Macroeconomic uncertainty in key markets from factors such as the UK's vote to leave the EU (Brexit), economic recession in Brazil and Russia and slowdown in China resulting in low growth consumer market.**
- Increasing pressures to develop, upgrade and successfully launch new products and facilitate personalised experiences for customers.



Profitability and liquidity

- E-commerce creates low-price environments which decrease profit margins for all the retailers, making sustainability difficult.
- The risk of general or macro-economic factors such as adverse movements in interest rates and exchange rates.
- Risks arising from volatility of price & supply fluctuations of raw materials.
- Financial risks relating to credit risk, liquidity and refinancing risks.



Reputation and Ethics

- Risk to reputation/brand as a result of negative assessment or comments from stakeholders and product liability due to dealer-owned branches.



Compliance

- Fraud, violations of the laws tariff/policies and cross-border legislations.
- Legal and compliance risk due to changes in international and domestic laws, rules, policies, tax regulations, technical standards and trade policies.



People

- Inability to attract and retain qualified personnel while appropriately managing costs related to employee benefits.



Operational Excellence

- Challenges in logistics and inventory planning may hamper supply chain management.
- Risks associated with the suppliers from whom products are sourced since low quality products could adversely affect a company's performance.
- Operational risk resulting from inadequate or failed internal processes or systems impacting the operations of the business.
- **Operational risk resulting from disruption by labour unions, strikes, work stoppages.**



Health, Safety and Environment

- Major upheavals such as loss of facilities, diseases and other natural disasters which can affect national as well as international operations.
- Increasingly rigorous environmental, health and safety laws and regulations by government.

Legend

Emerging Risk

Existing Risk

Retiring Risk

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