Enterprise Risk Management
Organization: Quizno's Sub

Pick 2 Strategy Oriented Risks
(Use KPMG Book Category)

1. List Risk
2. Identify Interrelated Risks Impacted
3. Assess Probability (L/M/H)
   Assess Impact (loss = f(output, loss unit))
   - Consider interrelated risks
4. Determine Response
   > Accept
   > Avoid
   > Transfer (How - Insure, Alliance)
   > Reduce (What business process put in place)

5. For Reduce/Transfer - What is Residual Risk

6. Plot Risk (Use Arrow for transfer/reduce)
Risk: Franchising - franchisors not following policy

Interrelated Risks: reputation, loss of customer loyalty, financial losses

Probability: High

Impact: financial loss - low reputation - medium

Response: Reduce (screening process, training)

Residual Risk: no guarantee of successful franchisers
Risk: Market Dynamics
- Changing health trends

Interrelated Risks:
1. Loss of customers
2. Reputation Risk
3. Cost in change of menu and vendors
4. Failure of new menu items
5. Inability to keep up with trends

Probability: High
Impact: Low/Moderate

Response: Reduce and Transfer - link with health conscious partners

Residual Risk? Probability would decrease

[Diagram showing a relationship between Prob., Impact, x1, and x2]
Risks: #1
1. Product Quality / Food Spoilage

2. Reputation
   Sales
   Litigations
   Customer Retention
   Employee Turnover
   Increased Training Costs
   Contracts w/ Suppliers

3. Probability: High
   Impact: Medium

4. Reduce
   Adequate employee training
   Standardized checklists for cleaning & storing
   Enhance employee hiring process.

5. Employees not following rules
   Product quality issues (Mad cow disease)
   Equipment malfunction

6. Graph: Probability vs. Magnitude
RISK: **Market Dynamics**
- Saturated market
- Competition

Interrelated Risks:
1. Loss of Profit
2. Quantity over quality
3. Individual franchise competition
4. Potential loss of innovation

Probability: medium to medium high
Impact: moderate to major
Response: Accept & Monitor
Risk: Demand of subs goes down.
Interrelated Risks: loss of customers, reduced sales, stalled growth (no need for new franchises), publicity

Probability: Low
Impact: Medium to High
Response: accept
1. ADEQUACY OF OVERSIGHT
   - QUALITY CONTROL RISK

2. Reputation
   Customer satisfaction
   LAWSUITS
   SUPPLY CHAIN
   HR
   FRANCHISERS
   GROWTH

3. HIGH
   - INTEGRITY → BRAND

4. REDUCE - Tighter Quality Controls (Testing)

5. MODERATE TO LOW
   - Can't control everything when you're that big.

6. Diagram (not legible in text)
1. Market Dynamics
   - Product Differentiation Risk

2. Quality
   - Price
   - Diet
   - Marketing
   - Market Share
   - Growth

3. At Least Medium
   ... if not High
   - Sales Decline
     - Lower Price, Lower Margin

4. Redoubling
   - Calls
   - Marketing
   Transfer
   - Franchises (Alliances)
   - Royalties

5. Customer Demand Shifts
   Reputation Risks.

6. 
1. Competitors

2. Customer Loyalty, Loss of Sales, Pricing, Advertising Exp., Location

3. Probability: High
   magnitude: Medium

4. Reduce
   - market research
   - product differentiation
   - advertising

5. Lost money, company resources

6. Frequency
   - H
   - m
   - L

   +-----------------+-----------------+-----------------+
   |                 |                 |                 |
   |                 |                 |                 |
   |                 |                 |                 |
   |                 |                 |                 |
   +-----------------+-----------------+-----------------+
   | L                | m               | H               |
   +-----------------+-----------------+-----------------+
   magnitude
1. Investors - Bad Franchisee

2. Reputation, Customer Loyalty, Profits, Community, Partners

3. Probability: Medium
   - Rapid growth
   - Not qualified
   - Competition, location

   Magnitude: Loss → minimum
   → can get a new franchisee
   → lost start up

4. Reduce - training program, AD, franchise agreements, support program

5. Lost money, time, Company resources

6. Plot Risk
   \[ H \]
   Frequency
   \[ m \]
   \[ L \]
Risk #2

1. Market Saturation

2. Increased costs without matching increases in revenues
   Market share decrease
   Reputation
   Customer perception (no longer an "underdog")

3. Probability: High
   Impact: High

4. Reduce
   Market research (demographics, IT system to
   customer surveys, track and plot potential store
   locations)

5. Underdeveloped stores
   Customer perception of not being an "underdog"

6. [Graph depicting probability and magnitude with various levels indicated]
1. External Relations - Partners
   - One store goes bad - ripple effect (bad food)

2. Business Model - Competitors
   - Subway, Panera, Jimmy Johns, Jersey Mike's

3. Reputation, loss of revenues, liquidity problems, slow growth, litigation

4. External - Moderate - huge impact, but manageable
   Bus. Model - High - moderate impact

5. External - reduce (more training, high specs for franchises)
   Competitors - reduce (differentiate)

6. External - lowered risk from Mod. to low inconsistency
   Competitors - always have competition

\[ \text{Risk Appreciation} \]

\[ L \times D = M \]