

Currency risk

SmartWear's current business model has present currency risk. It is because the deep economic recession in Noria will cause the local currency rate to fall, as Smartwear's suppliers whom are based in countries in SE Asia as this will effect the cost of purchase in future.

Smartwear can mitigate the risk by asking suppliers to bill in Smartwear's home currency instead of supplier's currency, hence transfer risk to their suppliers.

Operational risk

As Smartwear mainly operating in EU, Southland and Centrum while suppliers based in South East Asia, they are exposed to operational risk such as longer lead time or lost in delivery. Thus, to mitigate the risk there is a need for Smartwear to determine ahead the lead time and to determine from its forecasting on its future sales. Smartwear can also determine the reorder level so that order can be placed to ensure continued supply.

Competition risk

One of the major risks presented by SmartWear's current business model is rivalry risk. This is because due to the economic downturn, many suppliers switched to produce low cost product which further increase the competition. To mitigate the risk, SmartWear can increase after sales service which add value to the business.

Technological risk

Smartwear current business model focus on physical store retailing (around 100 stores) & no ecommerce presence, this will present the co with a new risk as there is an emergence of e-retailers who is able to offer convenience and quality of service thus appear to be very appealing to Smartwear's existing customer.

Smartwear will have to seriously relook into their marketing strategy as there is a need for them to have a ecommerce presence in the market place. Thus, a study or research is needed to determine the cost and benefit of such startegy for Smartwear.

Strategic risk

Smartwear has always relied on its cost leadership strategy to achieve success by ensuring that their cost is low. However, the emergence of e-retailers will threaten their business model as e-retailer will have a lower cost model compared to Smartwear. Thus, they may be able to offer their product at lower prices compared to Smartwear.

Smartwear will have to find alternatives ways to reduce its cost further such as leveraging on its current economies of scale to lower the cost or even to highlight to customer its advantage of able to try out or see the clothings in real person before making purchases. This will allow Smartwear to differentiate its product from e-retailers.