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CRISIS MANAGEMENT IN E-BUSINESS

The purpose of risk management is to ensure that your investment losses never exceed acceptable boundaries by following disciplined practices including position sizing, diversification, valuation, loss prevention, due diligence, and exit strategies.

The reason risk management is essential - not optional - is because the amount you lose during the tough times determines how much you must make during the good times to meet your financial goals. You must preserve your capital during difficult periods so that your offensive investment strategy has a larger base of capital to grow from when profitable times return.

E-business is an electronic form of business conducted over the Internet. This business model has increased in popularity as technology has advanced with smaller and better forms of computer equipment. Many businesses started today conduct operations solely via the Internet, and may never open a traditional brick and mortar storefront. Although e-businesses may be easy to start and require little upfront cash, they are still subject to the normal risks of any businesses.

Systematic Risk

Systematic risk is the risk a company faces from the entire market or market segment in which it operates. A classic example of systematic risk in the e-business market is the dotcom crash of 2000 and 2001. Several e-businesses started and went public, then were purchased by other e-businesses. Most of the e-businesses had little cash flow and were unable to make profits; these companies valued growth over financial stability, creating an unsustainable economic bubble that burst, destroying many dotcom companies. While this type of systematic risk may not occur again, most market segments may tend to operate in business cycles, growing, reaching a plateau and contracting. Owners and entrepreneurs of e-businesses must be able to assess their market segment and plan for each stage in the business cycle.

Security Risk

E-businesses face many different types of risks related to the security of their business information and customer information. Computer viruses and hackers are constantly trying to tap into online companies and steal customer identities and financial information. These security risks force e-businesses to use software and encryption codes that limit an outsider's ability to hack into their secure systems. Online security risks can also lead to legal issues for e-businesses, as they are obligated to protect consumer information by federal and state law. Breaches in an e-business' system will also increase the company's insurance risk, as insurers require higher premiums for companies with legal issues, if they decide to take on the e-business as a client.

Business Risk

Business risk relates to the risk companies face from conducting business operations every day. These risks include inventory, labor, overhead or supply-chain problems. Because most e-businesses do not have large physical locations or warehouses, they must rely on a supply chain for getting goods to consumers. Anytime a business must rely on individuals or other businesses to help distribute goods, risk may increase. Business risk also occurs if the e-business is unable to purchase inventory and move it through the supply chain quickly and efficiently.

E-Commerce Emergency Plan aims:

- To protect staff members
- To protect consultants
- To protect the archives and records of E-Commerce data of consumers
- To ensure business continuity
- To communicate emergency needs and strategies to relevant partners inside and outside the division

References

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