Scenarios in Marketing

From Vision to Decision

Edited by

Gill Ringland and Laurie Young

John Wiley & Sons, Ltd

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Contributors

In alphabetical order

Lloyd Burdett joined Henley Centre Headlight Vision in 2003 having previously held a number of long-term strategy and delivery roles in the public sector. His work at HCHLV has focused on a wide range of futures, scenario planning and long-term strategy projects with clients in both the private and public sectors. Along with Andrew Curry, Lloyd now leads HCHLV's futures work, focusing particularly on the development of new approaches to action-oriented futures work, including scenario planning, and adapting them for use in fast-moving sectors. He is also currently responsible for HCHLV's scenarios work in international markets, particularly the USA, and is due to move to HCHLV's New York office late in 2006.

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Andrew Curry joined Henley Centre in 1999 from Cable and Wireless Communications. Andrew combines an expertise in futures work, particularly scenarios, with an in-depth knowledge of media and new media. Andrew leads Henley Centre's public sector team, and has developed many of our facilitation and workshop techniques. He has directed projects for a wide range of clients, including Vodafone, DEFRA, the Army and *Sport England*. Andrew previously worked as a financial journalist, as a television producer, and in the new media sector. He launched Britain's first interactive TV channel in 1993 and was part of Cable and Wireless's digital TV project team.

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Paul Fifield has run his own consultancy business for over 20 years. Paul's clients are loyal and enjoy the 'life-long learning' that comes with working with him. He has worked with clients in a wide range of industries. He specialises in strategy

and is preparing the third edition of his book *Marketing Strategy*. His mother tongue is English, he is fluent in French and has a working knowledge of Dutch.

He holds a degree in Business Studies as well as an MBA and a PhD in Marketing Strategy, from Cranfield University. He was elected a Fellow of the Chartered Institute of Marketing (CIM) in 1988, an elected member of CIM Council 1999–2001 and the CIM International Board of Trustees 2002–2004. Paul is currently President of the CIM Southern Region, a member of the Marketing Society and a Fellow of the Royal Society for the encouragement of Arts, Manufacturers and Commerce (FRSA).

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David Haigh, BA, ACA, FCIM, MIPR, read English at Bristol University before qualifying as a Chartered Accountant with what was then Price Waterhouse in 1980. He then became the European Financial Controller of an international group of companies, Financial Director of a marketing consultancy, then of WCRS and Partners. In 1988 he became Managing Director of Publicis Dialogue. David joined the board of directors in the global brand valuation practice of Interbrand, before setting up his own company, Brand Finance Limited, in 1995, which focuses on marketing accountability.

David lectures on the importance of brand promotion and valuation. He is the author of several books including *Strategic Control of Marketing Finance* and *The Future of Brand Valuation*. For over 10 years David has been a regular columnist for journals such as: *Accountancy Age, Marketing Business* and *Brand Management.*

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Crawford Hollingworth is Executive Chairman of Headlight Vision, part of the WPP Group. Following degree and post-grad work in applied social psychology he was tempted away from academia into the advertising world as a strategic planner. He worked for BMP DDB Needham, AMV BBDO and then joined Chiat Day as Vice President Strategic Planning. He finished his planning career as the executive planning director of Bates Dorland. During this time he had worked for Sony, Landrover, American Express, Qantas, RSPCA, Bass and Yellow Pages among others. He started Headlight Vision in 1995.

From an early age he has always been fascinated in why people behave in the ways they do and in how one could influence that behaviour. His overall personal expertise lies in consumer trends, strategic brand planning and qualitative research. His ability is to create more holistic solution-based research from this perspective.

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Gill Ringland's career has spanned academic and industrial worlds, taking a leading edge role in physics, software and information technology, strategy and

scenarios in turn. She has been active in five start-ups, and was responsible for building a £3-billion new business over five years for ICL.

She started to use scenarios when responsible for strategy at ICL, and as a result wrote the amazon.com bestseller *Scenario Planning*. She is a Liveryman of the City of London through the Information Technologists. She has a BSc, MSc, FBCS, MIEE, and is a graduate of Stanford University's Senior Executive Program. She is a past Member of SRC's Computing Science Committee and of Council of the Economic and Social Research Council

She writes and consults widely as a Fellow of St Andrews Management Institute. Her books are "why, what, when, how" guides to the use of scenarios: *Scenario Planning—Managing for the Future, Scenarios in Business*, and *Scenarios in Public Policy*—all published by John Wiley & Sons, Ltd.

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Merlin Stone is the author of many articles and 30 books on transforming marketing and customer service capabilities. He is a Founder Fellow of the Institute of Direct Marketing and a Fellow of the Chartered Institute of Marketing. He is on the editorial advisory boards of the *Journal of Financial Services Marketing*, the *Journal of Database Marketing and Customer Management Strategy*, the *Journal of Targeting, Measurement and Analysis for Marketing* and the *Journal of Direct, Data and Digital Marketing Practice*. He writes monthly columns for *Database Marketing and Direct Marketing International* and for the website *What's New in Marketing*.

He is a Director of WCL, specialists in change management in the public and private sectors and of Nowell Stone Ltd. He has a first-class honours degree and doctorate in Economics from Sussex University. He has held posts at University of Manchester Institute of Science and Technology, The Jerusalem Institute of Management, Henley Management College, Kingston University, Surrey University and Bristol Business School. At Kingston he was Dean of the Faculty of Human Sciences. He is now a Visiting Professor at Bristol Business

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Tim Westall is a Director of April Strategy, a management consultancy with a specialism in marketing. Tim has spent 12 years in consulting, working on strategy and innovation projects with a wide range of blue-chip clients. Prior to that, he spent seven years in a number of international marketing roles within Unilever.

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Laurie Young is a specialist in the marketing of services and customer care. His career includes senior positions with PriceWaterhouseCoopers, BT and Unisys. In the 1990s he founded, built and sold his own professional service firm, focusing on service marketing. Over the years he has advised firms ranging from small single partner practices to large multinational organisations on the contribution of services marketing to shareholder value. He has published three books: *Competitive Customer Care* with Merlin Stone, *Making Profits from New Service Development,* and *Marketing the Professional Services Firm.*

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Acknowledgments

This book owes its genesis to Clare Plimmer of John Wiley & Sons, Ltd, who was convinced that a book should be written on scenarios in marketing. She discussed this with Laura Mazur of Writers 4 Management, who suggested that Laurie Young (author of *Marketing the Professional Services Firm*) and Gill Ringland (author of books on scenarios) might pair up. This book is the result, and the editors would like to thank John Wiley & Sons, Ltd for their support and patience during its gestation.

We attracted an excellent set of contributors to provide chapters within the overall theme of "how scenario thinking can be used to improve the creativity and discipline of marketing". Their contact details and a short biography are included in the section on contributors: we thank them for their time and contributions, which—of course—were in addition to "a day job". We would also like to thank Dr Wendy Schultz of Infinite Futures and Paul de Ruijter of De Ruijter Management who contributed additional case studies.

Gill Ringland would like to thank a number of her colleagues at SAMI Consulting for helpful critiques as the work progressed, and to Adrian Davies's thoughts on the conclusions we reached.

Both of the co-editors would like to thank Laura Mazur for her work on the case studies and the chapters as they came in from the contributors: if we are still sane it is down to Laura!

ONE

Introduction to Scenario Planning

Gill Ringland

SUMMARY

This chapter answers three questions:

- *How can this book help you?*

- *What is a scenario?*

- *How can scenarios be used?*

It defines scenarios and gives the theoretical and experimental underlying basis for their application. It also contains a discussion of when not to use scenarios.

The chapter is contributed by Gill Ringland, the author of several books on scenario planning and the chief executive of SAMI Consulting, which aims to help its customers to make robust decisions in uncertain times.

HOW CAN THIS BOOK HELP YOU?

You have opened this book because you are a marketer, who has heard about scenarios and want to know what they can do for you. Can they bring both creativity and discipline both into marketing? Can the use of scenarios make your organisation more successful?

It's well known that scenarios have made headlines by helping to anticipate events, improving the ability of an organisation to get ahead of the curve. For example, scenario planning has helped:

- Pacific Gas and Electric to prepare for the earthquake in California;

- Shell to anticipate the fall of communism in Russia and its effect on natural gas prices;

- countries such as Guatemala and South Africa to defuse tensions and map a way forward.

These examples suggest that scenarios work over a long timescale in large geographies. Is scenario thinking then relevant to the types of problems tackled by marketers? The answer is "Yes". Scenarios allow you to explore alternatives to "the official future", which is the set of shared assumptions about the future in the organisation. This official future is usually more comfortable, and hence more potentially misleading, than other possible futures or scenarios.

In Scenario Planning, Gill Ringland (2006) has described a number of marketing case studies where scenarios were developed that effectively challenged "the official future":

- Erste Allgemeine Versicherung, the Austrian insurance company, anticipated the fall of the Berlin Wall and entered new markets in central Europe.

- KRONE, the wiring and cable supplier, developed 200 new product ideas.

- Unilever decided on marketing strategies for Russia and Poland.

- United Distillers (now Diageo) set market strategies for India, South Africa and Turkey.

- Electrolux spotted new consumer markets.

The purpose of this book is to provide a straightforward account of the use of scenarios, oriented towards the concerns and disciplines of people facing marketing decisions. It is intended for marketing practitioners who want to get a view and experience of how to use scenario techniques. It will also appeal to corporate planners and MBA students, as it shows how scenarios fit as part of the marketing tool kit, spanning the space between the signals from the outside world and decision making (see Figure 1.1).

Figure 1.1

The Marketers' Toolkits

Signals
(trends,
events)

The Toolkits

Decisions
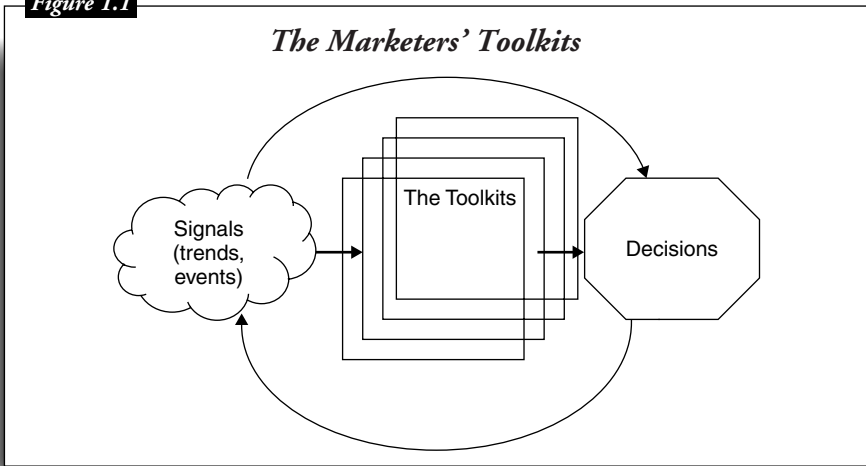
MODELS OF THE WORLD

Scenarios are just one example of using models of the world to explore or anticipate "real life". For instance:

- Wind tunnels are used to test car shapes for aerodynamic features. Does the car become unstable at high speeds, and does it have higher or lower drag factors than other shapes?

- In fatigue tests for airframes, either a life-size airframe or a scaled-down airframe is subjected to stresses and strains in a test rig, where early signs of cracks, fractures or breakages can hopefully be encountered before they are seen in the airframes that fly passengers.

- Mathematical or computer models are used to schedule and allocate resources, within sets of constraints. Linear programming techniques are used to solve problems such as forest management, agricultural production, production planning in factories, and even the selection of hospital menus.

It is clear from these examples that whether physical or computer modelling is used, the predictions for real life are only as good as the ability of the model to contain enough of the rules and constraints of real life. Thus, for instance, a model based on fixed proportions of income being available for discretionary spend, as a way of calculating the market for luxury goods, would cease to be applicable if changes in lifestyle meant that increasing proportions were in fact being spent on

food, through eating in restaurants or snacking on the move (Moore and Hodges, 1970).

Two aspects of a successful model are suggested by these examples:

- The ability to anticipate real world behaviour—which may be unexpected—through exploring the constraints or changes in the external environment, or the relationships between forces.

- The creation of a mental model which allows the user to look for early confirming or disconfirming evidence.

In the case of the airframes that are used to fly passengers, the model could identify the weaker section of the frame and indicate when (after how many flying hours) to look for signs of stress.

In the case of the market for luxury goods, the model might cause the distributor to investigate the cultures in which this change might occur.

How Can Marketers Get Better Models of the World?
This is a difficult question. If we compare good marketers with the Israeli Intelligence Service, for instance, we can look at what happened in the run up to the Yom Kippur War. This example of the difficulties in maintaining a view of alternative possible forms of threat, and hence the ability to react to signals, is given by Cohen and Gooch (1990). It describes how the Israelis, in spite of a superb intelligence operation, were essentially taken by surprise by the Arab attack during the war.

So, how can we avoid being taken by surprise?

Consider the approach taken by the Prussian military thinker Carl von Clausewitz—a major strategic theorist. He became interested in the effect of chance and uncertainty on war because the *"juggernaut of war, based on the strength of its entire people"* defined a new era. War had become one of the largest and most complex of endeavours, and in this context he dismissed the simplistic use of mathematical techniques, which he suggested illuminated tactics but not strategy. On the topic of how to act boldly despite the inherent uncertainties of war, he suggested making *"an educated guess and then gamble that the guess was correct".* For a more detailed analysis, see Herbig's article in Handel (1989).

In this context, then, it could be said that scenarios improve the quality of the educated guesses and also provide a framework for deciding what the implications are, and when to gamble.

In Chapter Four and Chapter Eight, and in Appendix One, we discuss some of the methods that have been developed to try to improve the quality of these educated guesses in a marketing environment.

WHAT IS A SCENARIO?

Think of a scenario as a fairy tale or story. Michael Porter (2004) defined scenarios as:

> *"An internally consistent view of what the future might turn out to be—not a forecast, but one possible future outcome."*

A good set of scenarios are plausible in that they can be "imagined" in terms of current, visible, events or trends that might cause them to happen; the set should not only include a visionary (or normative) scenario, but also some scenarios that challenge the organisation. Scenario planning is the art of using scenarios for decision-making.

The Experimental and Theoretical Basis for Scenario Thinking

Scenario thinking explores the future in a way that provides not only plausible and consistent but also qualitatively different views of the future. Scenarios allow default assumptions to be surfaced and discussed. As an example, see the discussion over business plans at D2D (see Case Study 1.1).

CASE STUDY 1.1 SCENARIOS TO EXPLORE ASSUMPTIONS AT D2D

D2D was ICL's manufacturing division. The management team of D2D had produced a five-year strategic plan, and headquarters reviewed it with them as a basis for a prospectus for spinning D2D out as an independent company or as part of a contract manufacturing company.

ICL had developed two scenarios for the future of the information industries, shown in Figure 1.2. *Coral Reef* was a colourful IT world, with many small companies, a hectic pace of development, and consumer and business customers interested in the latest products. *Deep Sea* was a world in which a few large suppliers dominated their own territory for both consumer electronics and business computing, and customers preferred dealing with these established suppliers because they were big enough to sue.

When the management team was introduced to the scenarios, they recognised that their strategic plan had assumed that the world was a *Coral Reef* world, but that their competitive advantages—for instance European quality awards and staff policies—were aligned to the *Deep Sea* scenario. This meant that

Figure 1.2

Coral Reef and Deep Sea

**Less government
Open cultures**

Coral Reef

**Customers focus on improving
their business**

**Fragmented information industry
Widespread innovation**

**Full range suppliers strong
Limited innovation**

Deep Sea

**Customers focus on
minimising risk**

**More government
Closed cultures**
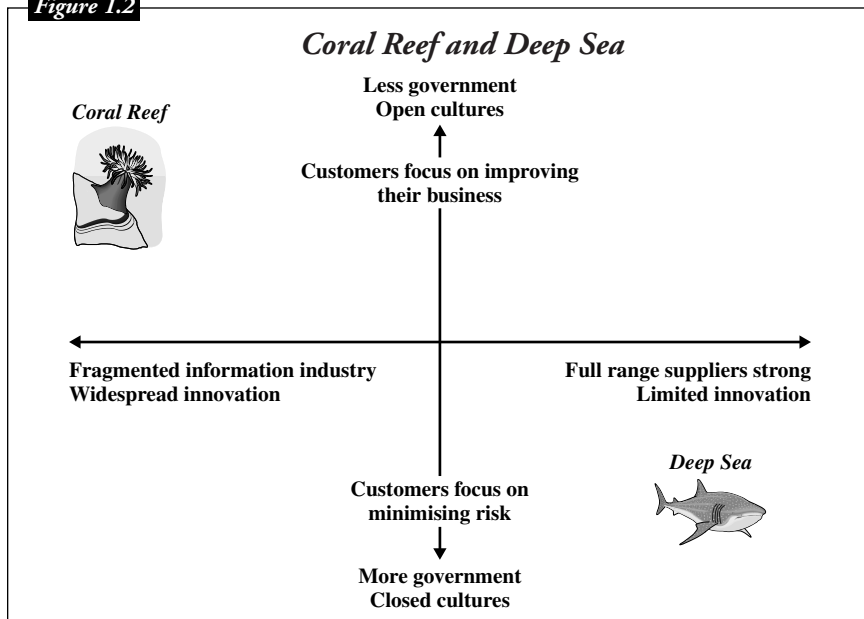
the part of their assumed future growth relating to consumer electronics was too optimistic. The team rethought their strategy and plan, focusing on their competitive strengths.

The business was successfully sold to Celestica, to provide the European contract manufacturing facility to add to those in China and Canada.

What Works and What Doesn't
Over the years practitioners have built up a number of rules of thumb on what works and what doesn't.

- Scenario thinking needs to take in a wide range of potential inputs to provide a useful basis for decisions. This may mean extensive desk research, horizon scanning, or interviews, or a mixture of all three, and the presence at the scenario building sessions of "external" or "remarkable" people. Scenarios that are built by only insiders tend to become introverted and pessimistic, with a focus on problems rather than opportunities.

- Scenario building is most useful when it is done in the context of an understanding of why it is being built. Is it to provide a context for decisions;

or as part of building management skills? In the first case it is important that the supporting desk research on the trends is in place; in the second it may be more important to discover what is in the participants' heads.

- Scenarios should be describable in an "elevator speech"[1] with a clear theme, and a set of names. They should relate to a key issue facing the organisation.

- It is often said that there should not be an odd number of scenarios because, in many cultures, it will be assumed that there is a middle or "right" scenario.

The process of scenario building is described in Appendix 1.

The Theoretical Basis Behind Scenario Thinking
Interestingly, a decade or more after the processes were first used, neurobiologists (e.g. Ingvar, 1985) discovered that the brain is actively rehearsing futures even when asleep. This means that by using scenarios to provide additional futures for exploration, the brain can be preparing for potential actions.

As Arie de Geus (1999) says

Every moment of our lives, we instinctually create action plans and programs for the future—anticipating the moment at hand, the next minutes, the emerging hours, the following days, the ongoing weeks, and the anticipated years to come—in one part of our mind.

These plans are sequentially organised, as a series of potential actions: "If this happens, I will do that." These are not predictions. They do not pretend to tell what will happen. They are time paths into an anticipated future. . . .

Not only does the brain make those time paths in the prefrontal lobes, it stores them. We visit these futures and remember our visits. We have, in other words, a "memory of the future", continually being formed and optimised in our imaginations and revisited time and time again." This process "apparently helps us to sort through the plethora of images and sensations coming into the brain, by assigning relevance to them. We perceive something as meaningful if it fits meaningfully with a memory that we have made of an anticipated future."

The stored time paths serve as templates against which the incoming signals are measured. If the incoming information fits one of the alternative time paths, the input is understood.

We will not perceive a signal from the outside world unless it is relevant to an option for the future that we have already worked out in our imaginations. The

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[1] A description taking less than the time it takes to go from the ground floor to the top of the building in an elevator.