



# SCENARIO PLANNING

# Understanding Our Business's Ability To Withstand Disruption

## USING SCENARIO PLANNING

WHY



Two options...

WHEN

Either as part of a business planning process, or

When we hear about a new type of disruptive change

Because we want to learn two things...

How sensitive the business is to change in key variables

How well the business as it is today deals with external shocks

## HOW

By establishing a hypothesis of the changes that we want to test for (such as economic, political or technological change)

By developing a model that shows how the changes impact us

## **DEVELOPING THE SCENARIO HYPOTHESIS**



What are we concerned about?

For instance... we would like to look at the impact of a move away from oil on our business

2

What are the key physicals of our business that would be affected by this? What would stay the same?

For instance... labour cost is unchanged but raw material cost increases

3

How will it affect key physicals we don't think of today?

What will customers buy less of? What will they buy instead?

For instance... increased demand for fibre-based instead of plastic products

## **DEVELOPING THE KEY PHYSICALS**



## What are our key metrics today?

#### • Unit sales of pizzas

• Raw material cost of cheese

## What macro factors drive our metrics?

- Number of consumers
- Consumer per meal spending
- Number of supermarkets
- Other uses for cheese
- Amount of suppliers

## What market trends creates that situation?

- Population growth
- What celebrities eat
- How much people eat in
- Advances in dairy technology
- Government Taxation

## **QUANTIFYING THE SCENARIO**



• Decide how the market trends will change

2

3

• Does this mix of changes make sense? Are any of them contradictory?

• Have we created the range of outcomes we would like to test?

• How will this change the macro factors we already have a good understanding of?

• What are the new macro factors that we haven't looked at before? How do we assess these?

• Does the way the macro factors change make sense overall? Do we need to revisit our assumptions?

• What change will this have on our key physicals?

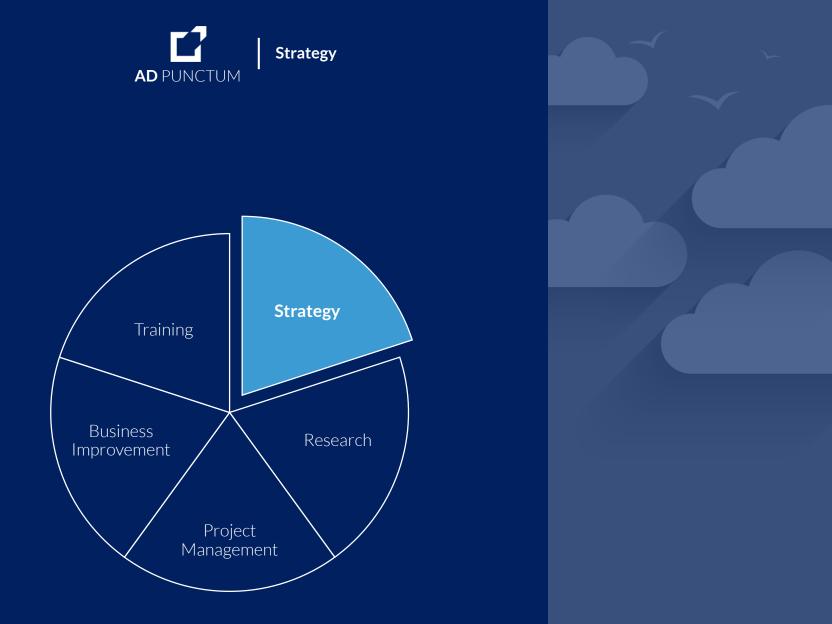
• What are the important other key physicals that we haven't historically tracked? How we assess these?

• What things would be automatically adjusted in the business?

#### WHAT DOES IT TAKE?







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