

Scenario Planning for Distributors

An Educational Workshop Featuring Key Recommendations
From *Innovate to Dominate: The 12th Edition in the Facing the
Forces of Change® Series*

October 8, 2019

Prepared for:

No Limits: FPDA / ISD Joint Industry Summit

Network for
Business
Innovation

Today's Objectives

- **Introduce *Innovate to Dominate***
 - The 12th edition of the *Facing the Forces of Change*® series
 - Published by the NAW Institute for Distribution Excellence
- **Apply one critical innovation tool**
 - Scenario planning for market analysis and business innovations
- **Launch a conversation**

Innovation = getting ahead, not catching up

■ What is (business model) innovation?

- New customer experiences
- New partnerships
- New capabilities
 - People, processes, tools, etc.
- New revenue sources
- New cost structure

■ Why is innovation hard for distributors?

- Stewardship > entrepreneurship
- Innovation is not a core competency
- No discipline for distributors
- Precedents are prison
- Financial constraints

Scenario planning = the freedom to innovate

■ What is scenario planning?

- Imaging alternative futures
- Identifying strategies and innovations for those futures
- Prioritizing critical capabilities
- Getting ready for the future
 - Milestones = goals and metrics
 - Signposts = proactive watching

■ Why is scenario planning essential for distributors*?

- Expand your thinking
 - Uncover “inevitables”
 - Prevent groupthink
 - Challenge conventional wisdom
- ## ■ You may not be able to predict the future, but you can be ready when it arrives

One distributor's story* about the value of scenario planning

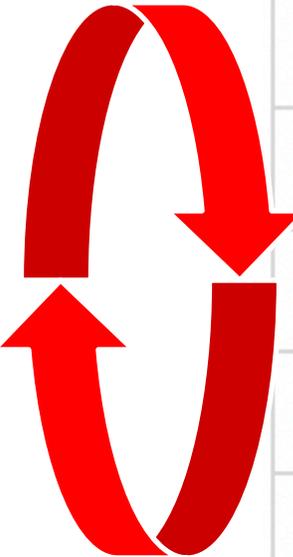
We first **used scenario planning as a strategy process** about 15 years ago, and we have repeated the method several times since then. We hired an expert, considered three or four scenarios, and identified significant trends and opportunities for our business. Scenario planning led to the launch of our private-label business, which is a substantial opportunity with very high profit margins.

If I were to think about using scenario planning to **help identify opportunities and strategies in the digital age**, there would be several variables we would explore. We have 600 trucks and 26 distribution facilities, and we would want to explore how we could go beyond offering installation and set up to create more value in the real world.

Leveraging data is critical. One of our largest customers demands data every day. We download data by SKUs every night and then slice-and-dice, looking for issues like breakage to suggest better ways of doing business. Our customer does the same, so in a scenario-planning context, we would want to imagine how we could expand collaboration around data.

We must answer questions at light speed, because our customers can opt to do online searches instead of reaching out to us. So, scenario planning could **help us become the Google for our industry**, meaning we have the best answers provided in the fastest time. Just as before, scenario planning could help us explore these trends and identify opportunities to succeed in the digital age.

Trial run: move fast, look for winning ideas, consider your use



Step	Topic	Method	Minutes	Clock	Time Allocation
1	Define the scenario	Group	10	8:35	13%
2	Identify priority forces of change	Breakout	20	8:50	25%
3	Baseline your capabilities	Group	10	9:05	13%
4	Explore options for business innovations	Breakout	30	9:35	38%
5	Identify signposts and milestones	Group	10	9:50	13%
			80		100%

Market Scenario: Real World, Rebooted

Define the scenario

Identify priority forces of change

Baseline your capabilities

Explore options for business innovations

Identify critical implications

- **Human-centric innovation**
 - How **people work with people**
 - Individuals and communities, emotional intelligence, etc.
 - **Value created in physical spaces**
- **Not luddites**
 - Digital technology and virtual business pursued in parallel
 - Technology-centric innovation is additive
- **Goals**
 - Sustainable differentiation
 - Unbreakable loyalty

Forces of Change: Paint from a **Palette** and with a **Purpose**

- Define the scenario
- Identify priority forces of change**
- Baseline your capabilities
- Explore options for business innovations
- Identify critical implications



TECHNOLOGY FORCES
Forces that enable business operations and create value

<p>Digital Tools Established and emerging tools deployed to enable a business' unique strategy, operations, and value</p>	<p>Infrastructure Shared platforms that enable scale, communications, services, standardization, and monitoring</p>
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HUMAN FORCES
Forces defined by members of businesses and society

<p>Social Interests Established and emerging tools deployed to enable a business' unique strategy, operations, and value</p>	<p>Community How individuals in businesses and society come together for shared identity and purpose</p>
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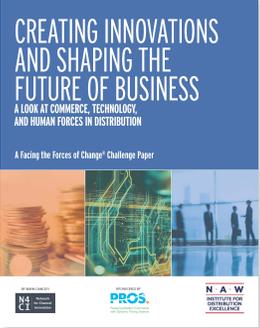



COMMERCE FORCES
Forces that affect how business is done

<p>Company Forces that affect how your business or organization operates</p>	<p>Value Chain Forces that affect how suppliers and distributors collaborate</p>	<p>Environment Macro forces that affect the financials and operation of businesses</p>
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Resource



CREATING INNOVATIONS AND SHAPING THE FUTURE OF BUSINESS
A LOOK AT COMMERCE, TECHNOLOGY, AND HUMAN FORCES IN DISTRIBUTION
A Facing the Forces of Change® Challenge Paper

Capabilities: Core Strength and Gaps Given Change

Define the scenario

Identify priority forces of change

Baseline your capabilities

Explore options for business innovations

Identify critical implications

- **People**
 - Leadership, managers, functions, **individual contributors**, etc.
 - **Culture**
- **Process**
 - Essential, **new or upgraded processes** with intentional outcomes
 - Metrics: inputs and outputs, quantitative and qualitative
- **Tools**
 - Digital tools and platforms
 - **Others?**

Business Innovations: Think Wide Before Narrow

Define the scenario

Identify priority forces of change

Baseline your capabilities

Explore options for business innovations

Identify critical implications

- New **roles**
- New use of **physical spaces**
- Value of being **local** in digital age
- Help **customers leverage data**
- **Community** engagement
- New **ways to work** with customers or suppliers
- Alignment with **social objectives**
- ...

Foresight: A Learnable Skill for Leaders

Define the scenario

Identify priority forces of change

Baseline your capabilities

Explore options for business innovations

Identify critical implications

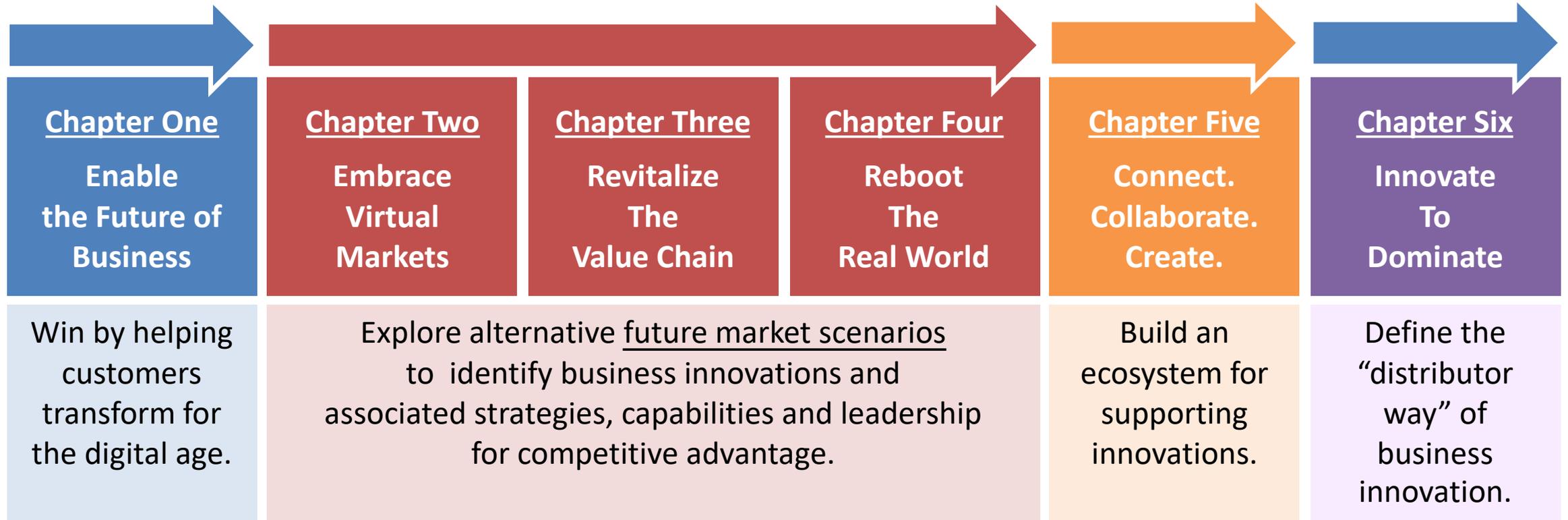
■ Signposts

- 1.
- 2.
- 3.
- 4.
- 5.

■ Milestones

- 1.
- 2.
- 3.
- 4.
- 5.

*Innovate to Dominate** is your roadmap for innovation



How will you “connect the dots” between the forces of change and innovating your business?

■ Resources

- Mark Dancer: Fellow, NAW Institute for Distribution Excellence + CEO, Network for Business Innovation
mark.dancer@n4bi.com or Twitter @B2B_Innovation
- *Innovate to Dominate: The 12th Edition of the Facing the Forces of Change® Series*
www.naw.org/ffc19
- *Creating Innovations and Shaping the Future of Business*
www.naw.org/creating-innovations
- *CEO Insights on Innovating the Distributor for the Digital Age*
www.naw.org/ceoinsights
- NAW Distributing Ideas Blog
<https://www.naw.org/blog/>