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
Today’s Objectives

- Introduce *Innovate to Dominate*
  - The 12<sup>th</sup> 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**

* Read “The use and abuse of scenarios” on McKinsey.com for a practical discussion of scenarios as a strategic tool.
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

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<th>Method</th>
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<td>Group</td>
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<td>2</td>
<td>Identify priority forces of change</td>
<td>Breakout</td>
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<td>Baseline your capabilities</td>
<td>Group</td>
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<td>4</td>
<td>Explore options for business innovations</td>
<td>Breakout</td>
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<td>5</td>
<td>Identify signposts and milestones</td>
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80
100%
Market Scenario: Real World, Rebooted

- **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

- Digital Tools
  Established and emerging tools deployed to enable a business’ unique strategy, operations, and value
- Infrastructure
  Shared platforms that enable scale, communications, services, standardization, and monitoring

** HUMAN FORCES **
Forces defined by members of businesses and society

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

** COMMERCE FORCES **
Forces that affect how business is done

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

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Capabilities: Core Strength and Gaps Given Change

- **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

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<td>Baseline your capabilities</td>
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- 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
- ...

Breakout 30 minutes
### Foresight: A Learnable Skill for Leaders

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#### Signposts

1. 
2. 
3. 
4. 
5. 

#### Milestones

1. 
2. 
3. 
4. 
5.
Innovate to Dominate* is your roadmap for innovation

Chapter One
Enable the Future of Business

Win by helping customers transform for the digital age.

Chapter Two
Embrace Virtual Markets

Explore alternative future market scenarios to identify business innovations and associated strategies, capabilities and leadership for competitive advantage.

Chapter Three
Revitalize The Value Chain

Chapter Four
Reboot The Real World

Chapter Five
Connect. Collaborate. Create.

Build an ecosystem for supporting innovations.

Chapter Six
Innovate To Dominate

Define the “distributor way” of business innovation.

* Innovate to Dominate is the 12th edition of the Facing the Forces of Change® series
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/