



Scenario Planning for Food & Beverage Companies: Managing the Future of Your Business

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Imagine having the power to foresee the future so you can prepare for it? In today's uncertain world, it is more important than ever for food and beverage companies, both large and small, to be prepared for the future of their business and become more resilient in the face of change. For example, what would you do if you had a product recall, or if you lost a major customer, your best supplier, top distributor or a key executive? What if you wanted to invest in a new production line or a larger warehouse? Luckily, you don't have to wish for superhuman abilities.

For many decades, food and beverage companies have employed "Scenario Planning" as a tool to support long-term strategic planning. This forward-thinking process helps businesses forecast and prepare for the future by shifting their thinking from "worlds they know" to "worlds they do not know." It allows businesses to envision potential future marketplace scenarios, or different variations of the future, based upon the potential realization of unpredictable events using information that is readily available or can be easily obtained. As a result of considering these unique scenarios, businesses are better able to develop effective and sustainable business strategies for success, regardless of market fluctuations. The process of Scenario Planning assists food and beverage companies develop strategies for a range of potential marketplace outcomes and it provides a fresh perspective on the market and on long-term business strategy development. This tool is uniquely compelling because it allows businesses to expand their thinking, imagine possibilities and develop creative solutions in a timely cost-effective manner.

Initially developed as a tool in military planning, and later applied to business, most notable by Royal Dutch/Shell, Scenario Planning has proven to be a powerful forecasting tool. Looking back at Shell, which has employed Scenario Planning since the early 1970's, we see the power in the process. Through its use of Scenario Planning, Shell was able to forecast the 1975 oil embargo, something none of its competitors had seen coming. This foresight advanced Shell in its industry as it had already developed solutions to tackle such an event.

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Your Future is Our Focus



The process of Scenario Planning involves several steps, including the following, which require time, preparation and planning at each stage:

- 1. Determine the focal issues:** What do you hope to achieve? How far into the future do you plan to look? Who and what factors will play a key role in this future? Will it be customers, changing technology, regulations, new or updated product or recipes? What other factors will be involved?
- 2. Determine external factors and uncertainties:** Perhaps a small competitor might be gaining market share, minimum wage laws might affect your bottom line, or key products might become obsolete. These situations are out of your control; however, they can greatly affect the success of your business.
- 3. Develop scenarios:** Now it's time to imagine the future. Most experts recommend constructing three to four scenarios. One simple method is to develop one scenario with every negative possibility, another with all the positive, and a third somewhere in between. Ultimately, the goal is to think outside of the box and imagine possibilities.
- 4. Perform research:** After developing the scenarios, additional research may be required. Gather all of the information needed to determine a likely outcome and the best possible course of action to pursue for each individual case.
- 5. Design solutions:** Once you have all the information, you can design plans of action for each scenario. Again, remember to be creative as you're still working within an imagined reality.

By implementing Scenario Planning, food and beverage companies can forecast the probable future. You can be proactive in order to remain competitive and be prepared for any major external forces that can have an impact on your business. If you invest time, research and creativity, Scenario Planning can be the next best tool in your business planning repertoire.

To learn more about Scenario Planning and to discuss how it can be effective at your company, contact Howard Zangwill, Stockholder and RINA's Food & Beverage Practice Leader, at (510) 873-0957 or hzangwill@rina.com.

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