

SPECIAL FEATURE



Windows on the Future: Scenarios in Market Research

The forecasting technique called scenarios opens our eyes to possibilities, organizes the unpredictable, and converts uncertainty from a liability to an asset. In this do-it-yourself kit of corporate renovation, you do not ask whether something will happen but what you would do if it did happen. **Marc Zwelling, CMRP**

Nearly fifty years ago, the American futurist Herman Kahn published *On Thermonuclear War*, a controversial book envisioning a war fought with nuclear weapons. Kahn's book and other writings for the Rand Corporation (where he worked as a physicist and mathematician) and the Hudson Institute (a think tank founded by Kahn) introduced corporate planners to a new forecasting technique called *scenarios*.

Kahn's purpose was to make America's military and political elites think about the unthinkable. In business, the scenarios technique has the same goal.

The longer people work together, the more they tend to think alike, and a widely shared optimism may become part of their office culture. While you have to be optimistic to get out of bed and face the world, a rosy outlook can filter out cues and warning signs that keep a business from making treacherous missteps.

Scenarios help you erase the comfortable consensus of group think. In a team at work, consensus is a friend; but for planning in these uncertain times, consensus is the enemy. If you're responsible for the future in your business, like Kahn, you have

to be, as he put it in the title of another book, *Thinking the Unthinkable*.

When something has gone terribly wrong, you have heard it excused by the words “Who could have imagined ...?” Who could have imagined product tampering that would lead to a recall threatening the company’s survival? Who could have imagined the collapse of an iconic business such as General Motors? A global flu outbreak during a recession?

For a moment, think what it is you never would have imagined just ten years ago: banking in your bathrobe, taking an MBA online, men on the pill, file sharing, same-sex marriage, \$1.40-a-litre gas, 9/11. We’re all lousy at forecasting; we’re better at imagining.

Like good science fiction, a good scenario is a riff on reality. Scenarios begin in the real world and move you step by step toward worlds you would never have foreseen but will have to admit are possible.

Soon after Khan’s nuclear war scenarios appeared, strategic planners adopted the technique. A survey in the 1970s showed that about 150 of *Fortune* magazine’s 1,000 biggest industrial companies used scenarios. Are they practical? Do they work?

Arguably, Kahn’s scenarios of life after a nuclear holocaust catalyzed the ban-the-bomb movement, which pressured American military leaders and their counterparts in the old Soviet Union to negotiate disarmament treaties. (This is not to say that Kahn was a dove; he thought America could survive a nuclear war and that fears of “total world annihilation” were wrong.)

What was the Y2K scare but a scenario? All the computers in the world did *not* fail when 1999 ticked over to 2000. Nevertheless, the upgrades and security software that were installed to thwart Y2K made businesses better-prepared for the 21st century web world.

Hollywood producers could have invented the term *scenario*. They have always used imagination, not only to entertain, but to open our eyes to possibilities: a black American president in the TV series *24*; superstorms stirred up by global warming in the 2004 movie *The Day After Tomorrow*.

A scenario is neither a prediction nor a plan but the foundation upon which corporate plans are built. Scenarios organize the unpredictable and convert uncertainty from a liability into an asset. The Canadian forecaster and author John Kettle calls the result “structured uncertainty.”

In market research and intelligence, scenarios are added value that suppliers can offer their clients. Whether you are jotting back-of-the-envelope scenarios yourself or undertaking month-long projects with colleagues or clients at workshops and corporate retreats, the steps are the same:

1. Identify the major trends or forces having impacts on your organization (an environmental scan).
2. Compose the focal question, the purpose of the scenarios (for example, to understand the consequences of a change or event, or to explore the future of your market).
3. Using the two most important uncertainties, wild cards, or variables with high impacts on the business, create four scenario zones in a matrix. Put the extreme outcomes of the variable at opposite ends of the axis. The more extreme the end points, the more creatively you’ll think. Put one uncertainty on the vertical axis, the other on the horizontal axis (see Figure 1, “The Future of the Market Research Business, 2010–2020”). The high-impact variables are conditions that you *cannot* control, not decisions you *can* make. You have no influence over these two big variables – for example, public

opinion, demand for your services, the economy, weather, political change, the supply of a critical raw material, or whether a game-changing technology will emerge from the lab.

4. Describe the general characteristics of each scenario.
5. In each matrix quadrant, identify the implications, risks, opportunities, customers, technologies and skills required to thrive. What are the market research needs in each scenario? What is the competitive advantage in each of these possible futures?
6. Name each scenario. Most of us use “worst-case scenario” even for the chance that we’ll get stuck in traffic and miss our flight. Scenario names are vital: in a word or phrase, they should capture the general business conditions in each quadrant. A mnemonic scenario title becomes a kind of speed-dialing feature in your mind, popping up the possible future when you hear it.

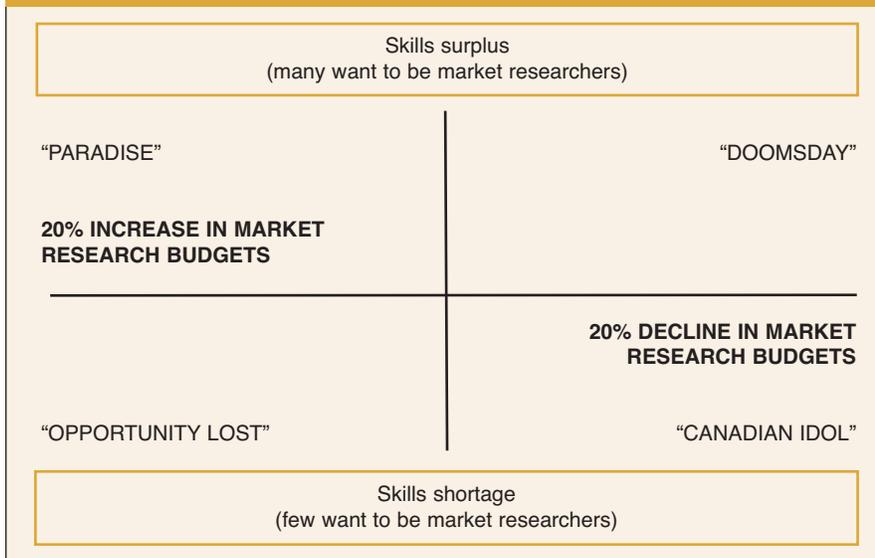
A corporate plan that’s viable in all four scenarios would distinguish a company as highly adaptive. Its executives are unlikely to think, “Who could have imagined ...?”

How would scenarios open windows on the future of the market research business?

Two crucial variables in market research (because of their major impacts on the business) are human resource trends and research budgets. No firm can create demand for polls and surveys. MRIA can’t stoke a 20 per cent increase next year in market research budgets. While the association and its member companies have some control over the industry’s image, they can’t dictate whether talented university and college grads view the business as a great career.

In the “*Canadian Idol*” scenario of the

FIGURE 1: THE FUTURE OF THE MARKET RESEARCH BUSINESS, 2010-2020



grid (Figure 1) of dramatically falling demand for research and labour shortages, suppliers need human resource management skills. You have to find, reward and retain talent without the advantage of consistent, strong profits in a growing industry. Firms also need to convince a shrinking market to buy consumer research and competitive intelligence. You would see lots of research companies merge in “*Canadian Idol*” as they huddle together to share scarce talent and sporadic RFPs.

In the “*Paradise*” scenario, however, MRIA members need a different set of management skills. Talent and clients are plentiful, but the booming market research field attracts lots of new competitors. Price-cutting would be likely. Your key corporate capability in “*Paradise*” would be marketing, which would allow you to differentiate your services from the bazaar of competitors.

If you write scenarios, don’t use comfortable, familiar variables. A few years ago, bank executives I worked with said that inflation was a wild card for banking, but they used the range of 1 to 3 per cent annual change on their axis. But 1 to 3 per cent doesn’t reveal different futures, just incremental changes in the same future of modest inflation. The scenario would

produce really new ideas if it incorporated deflation as well as roaring inflation – annual consumer price index rates from –10 to +20 per cent.

There are other ways of illustrating scenarios. One uses concentric circles, with an event or change in the centre and the implications rippling from the core to the periphery as each new reaction produces new consequences. Another, which is similar to the treatment of a TV script, is simply a synopsis: “Former government agent Jack Bauer is in self-imposed exile in Africa. He works at a mission school for orphaned children. The country is at the mercy of a warlord who abducts orphan boys and recruits them into the army. Bauer must get the orphans out before the warlord takes over.”

Scenario thinking assumes that you can’t predict the changes that will rock your business. So you have to create different, competing scenarios, because a single view of the future will inevitably be wrong.

Unlike forecasting tools that are expensive, quantitative and complex, scenarios are accessible, the do-it-yourself kits of corporate renovations. Consultants can help, especially to get you started or to facilitate a corporate planning event or a

process involving several departments or branches.

One busy scenario consultant, Calgary’s Arden Brummell of Global Business Network Canada, advises clients to fill in their own report cards when they evaluate their scenarios. Good scenarios are

- believable because they are logical and consistent
- grounded to events in the past and present
- challenging, forcing you to rethink your assumptions
- relevant, illuminating strategic issues facing the business.

The groundbreakers in scenario thinking for business – Brummell and others – worked at Royal Dutch/Shell. The steep cost of energy investments, the risky geopolitics in regions where companies find oil and gas, and the long time horizons for exploration and development give top management no room for mistakes. Other forecasting methods couldn’t capture the complexity of Shell’s business conditions.

Market and opinion researchers agree that the right question is as important as the right answer. One of Brummell’s colleagues at Shell, Arie de Geus, said the final exam in scenarios is a single question: Do they change corporate thinking? “The only relevant discussions about the future,” said de Geus, “are those where we succeed in shifting the question from whether something will happen to what we would do if it did happen.”

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