7

steps for effective scenario planning

Planning your marketing activities or budgets for a new year can feel like driving on a foggy road. It is hard for businesses to see the path ahead, and constant diligence is required to recognise obstacles along the way — and go down a different route if needed.

Considering multiple potential futures can help CMOs navigate their business through uncertainty. Implementing scenario planning into your decision-making can make all the difference in your path to future growth.

We've put together a handy seven-step checklist to help any CMO get off to a flying start.

Click on each section to explore related checklists:

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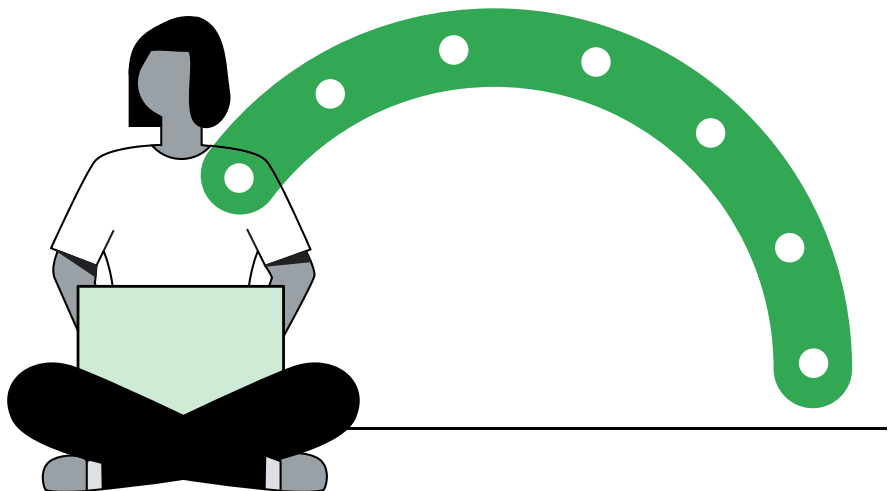
Set up the right MMM

Get the basics right. Marketing mix modelling (MMM) is the foundation of future-proof decision-making. It's independent from user-level data and third-party cookies and will offer you a much-needed holistic view of all your activities. It helps measure and optimise the impact of all your marketing channels, taking into account complex interactions instead of isolating them.

A modern MMM doesn't just look at marketing but also takes operational or customer relationship management (CRM) activities into account, as well as non-marketing variables such as unpredictable events, competitor activities, economic developments, or technological trends.

To build a robust modelling plan, ensure you have the relevant category and industry experience in place to identify the right data sources for your strategy, as well as the necessary technical capability. Use resources such as Google's MMM handbook for more guidance.

Questions to answer

- Can **all your variable marketing activities** be measured, simulated, and optimised in sufficient granularity?

- Is there **flexibility** to integrate new channels or KPIs if needed?

- Is there **sufficient knowledge, experience, and a database** to fill gaps and help create assumptions and proxies/substitutes e.g. new channels or market developments?

- Can **multiple KPIs** be considered? In times of change, consider shifting the focus from short- to long-term sales or offline to online sales.

- Can you take the **full commercial mix** of the business into account, beyond just media and marketing i.e. adding long-term brand analysis, product differentiation, or operational activities to it?

- Is there sufficient **ability in data-sourcing** within your company and/or your MMM provider? Are you able to measure and simulate the impact of external or non-marketing factors impacting your sales, supply chain issues, inflation, or legal changes?

2 Know your destination and set your KPIs accordingly

To set off on the right path to growth, you need to be clear on what you want to achieve and what success means to you and your stakeholders. A 1% market share growth? A 5% improvement in net sales over the next two years?

Far too often, businesses start with a plan, rather than the end goal. Create alignment across your organisation on which goal and KPI the business is striving towards. Your scenario plans can only be truly impactful if the end goal is clear.
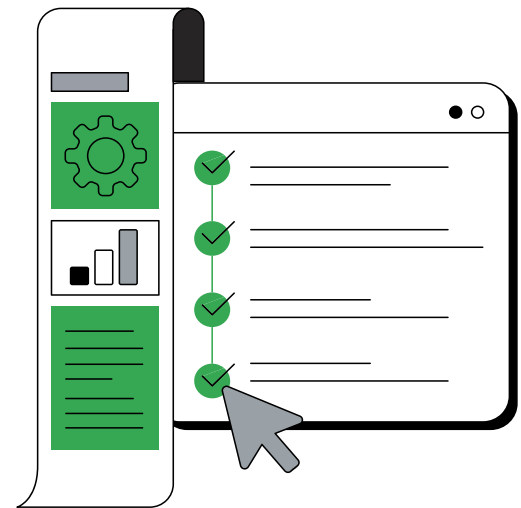
Questions to answer

- What **KPI and goal does leadership want** to work towards? For example, your KPI could be net sales with a goal to grow an additional 5% over two years.

- If there are several KPIs and goals, **which are the most important?**

- Are **all stakeholders aligned** on the same goals? Inconsistency in targets for different regions or teams can hinder a focused approach.

3 Identify every factor affecting your success

Start broad. What could impact your business in the coming weeks and months? Instead of spending too much time focusing on different areas of the business, try to think holistically.

There are many marketing/non-marketing, internal/external factors to consider now and in the future. As well as controllable media, marketing, and other commercial levers, identify the non-controllable factors by working with teams across the business. Using cross-department insights can help you take all success factors into account.

Questions to answer

- What are **the controllable drivers of your business success** in the relevant time frame? Think of all media and marketing activities, as well as other commercial factors e.g. loyalty programmes.

- **What are the less or non-controllable drivers**? For example:

  - Technology (speed of adoption of conversational AI).

  - Consumer trends (resilience to price changes, behavioural trends, changing demand).

  - Competitive drivers (new entrant, inflation response).

  - Macroeconomic or legal factors (drop in interest rates, rising inflation, supply chain disruption, legislation around privacy or carbon efficiency).

  - Other external factors (the weather, seasonal changes).

4

Focus on the scenarios you think are most likely to occur

Now that you have a comprehensive overview, it's time to focus on the probability and impact of different change scenarios. Consider all possible changes, and define a small number of key scenarios based on those that have the biggest likelihood of occurring and would have the biggest impact.
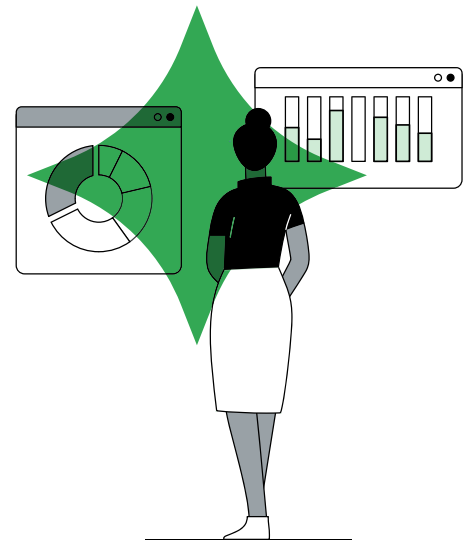
Questions to answer

- Which **factors are negligible**, and which do you need to measure? (e.g. measure the impact of competitors, while not expecting major changes in their strategy).

- For which of these factors **do you expect changes**? (e.g. a drop in demand if inflation hits, as well as ongoing supply chain issues).

- Which changes would be the **most impactful and likely** to occur? Would they necessitate a change in your marketing strategy? (e.g. you might decide inflation is your biggest factor of uncertainty that could impact your marketing plans).

- Based on this, what will **your final scenarios** look like? (e.g. define a best and worst case scenario for the impact inflation would have on demand).

5 Make sure you get accurate and granular data

You can't optimise or plan for what you don't measure. For many of the factors above, you will have existing data, and it's safe to assume similar dynamics to what has been seen in the past when projecting into the future.

However, be it a pandemic, war, or new technologies, sometimes there is no past data that you can rely on to help you predict what's next. So, how can you adapt and prepare for the unexpected?
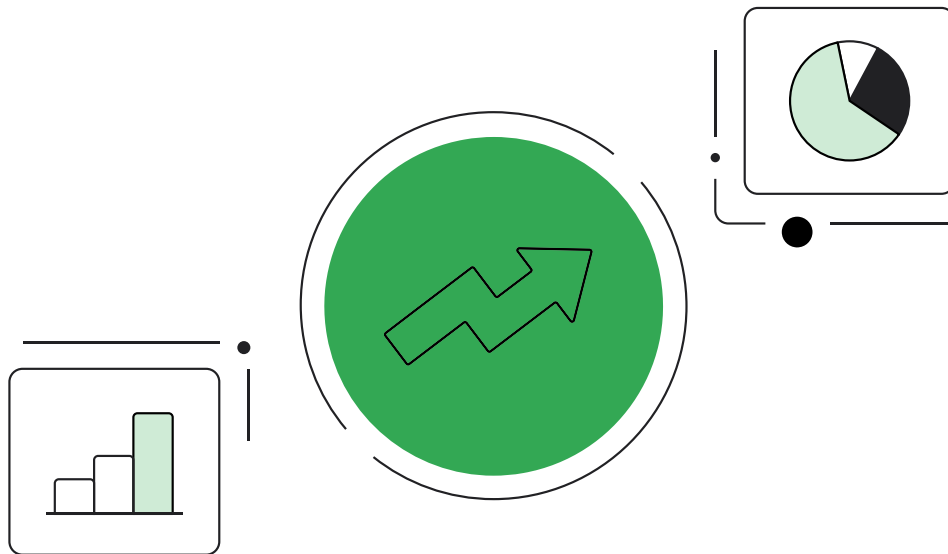
Questions to answer

- **Is a factor or scenario precedented?** If so, your own past data can help make assumptions about what might happen next, e.g. learnings from past recessions can be useful in making assumptions.

- **Are there (new) data sources you can use as proxies?** During the COVID-19 pandemic, many stores had to close, and consumer behaviour changed dramatically. Turning to Google Mobility data as a proxy for consumer movements helped businesses quickly gauge the impact of lockdowns on purchasing behaviours and media efficiency and adapt accordingly.

- **Can you run an experiment?** For a new channel, run an incrementality experiment to gauge its impact, such as a digital out-of-home (OOH) campaign. By integrating the results into your MMM (to ensure you control for all other factors such as the weather), you can gain a quick read on its potential and generate learnings that help you make smarter business decisions.

- **If there are no past data, proxies, or experiments**, what assumptions can you make? For example, it's been hard to predict consumer responses to price changes in the past months. Rather than waiting it out, commit to an assumption of what you think might be a best and worst case scenario.
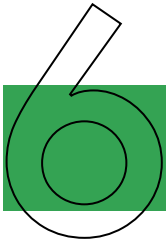
# 6 Simulate your scenarios and optimise plans accordingly

Now it's time to simulate your 2024 plan. This step helps flesh out the action plans for the scenarios identified in step 4 and acts as a reality check for your business and its goals. If any seem unrealistic under certain scenarios, it's important to discuss possible implications or goal adjustments early.

Questions to answer

- **If nothing changed**, would your 2024 marketing plan achieve your target?

- How **big or small would the gap** to goal be under scenario A, B, or C?

- What if **the worst case happened**? What would your optimised plan look like? Could you offset any losses by increasing media spend, changing pricing, or other factors in your control?

- Overall, **how realistic are business goals** under each scenario? Will an adjustment up or down be needed?

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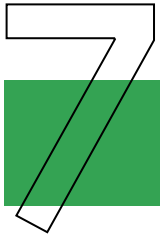
Get your teams on board early

"Culture eats strategy for breakfast," said management consultant and writer Peter Drucker. Business plans often stop in their tracks if parts of the team or business aren't aligned. Marketing should never act in silo, so by design, scenario planning has to link to multiple departments, including finance, product, and customer service.

Engage all stakeholders early, align on business KPIs and goals, and regularly report results or shifting scenarios back to them. Careful change management and internal communication are key for effective scenario planning and making it a successful tool for all stakeholders. Then, if an unlikely event does happen, the whole organisation is prepared for it — and ready to adapt as one.
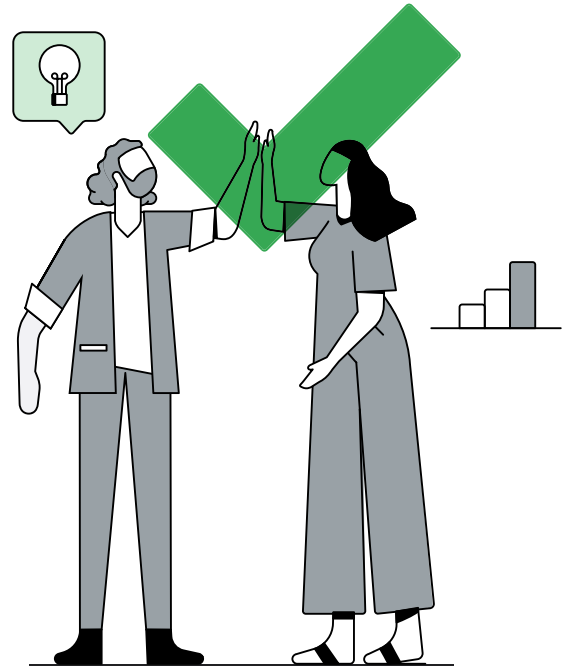
Questions to answer

- Do you know which **stakeholders and business areas** must be involved to help you drive change management and internal alignment?

- Are there **differences in goals and KPIs** (and their incentivisation) that need to be addressed? Are there any cross-business challenges to consider?

- Are there **regional differences**, such as **language and concepts**, that need to be understood to find common ground? e.g. the finance department may not be thinking in terms of "building a brand" but in terms of long-term impact on business KPIs.

- Does your **bonus and incentivisation structure** reflect the need for agility? Will the willingness to experiment, make assumptions, and be decisive when needed in the face of uncertainty be rewarded?