

WARGAMING 2.0

or

WHY WAR GAMES REMAIN THE BEST WAY TO TARGET COMPETITION IN FMCG INDUSTRIES

“Never base your plans on what you believe your enemy **will** do. Base them on what they **could** do.”

– Old military maxim



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1 Importance of competitive intelligence for CPG industries

Competitive intelligence and quick response to marketplace challenges is key for success in contemporary complex and uncertain business environments. It is especially important for consumer goods products (CGP) businesses which involve great number of performance variables, high levels of uncertainty and need to deal with great speed-to-market of existing brands and new product development (NPDs) due to the nature of 'fast-moving' goods business. Increased complexities of competing on the current CGP markets¹ requires many functions of the organization to obtain and accumulate knowledge on how to counter competitive challenges and satisfy promiscuous consumer demand.

Often times, businesses do not have common procedures to track, monitor and, most importantly, rationalize and distribute the competitive knowledge in the organization among various functions and employees at different organizational levels in a fast and reliable way to enable planning and sharing of effective competitive response actions: ~90% of all the market and business intelligence, predictive modelling and forecasting which is collected and cascaded in the organizations is inward focused, i.e. reporting internal self-assessment KPIs and drivers of own growth or decline.

2 Basic Theory Behind Business War Games

Commercial simulations or business wargaming grew out of military war games. They were used since the times of ancient Greece to prepare military leaders to make decisions in the circumstances with a high degree of uncertainty. It is still a widely used competitive intelligence tool which is used to anticipate actions of competitive rivals and help the organizations to rationalize competition on the marketplace. In CGP industries wargaming designs presume operating with variety of data inputs from internal experts, multiplicity of information sources and external databases to play out strategic plans based on self-assessment of own performance and enact probable competitive moves based on collected in-market data and evidence. However, there are many instances at which traditional business war games fail to achieve their end objective.

The essence of war gaming logic in military or in business can clearly be defined by military maxim, "Never base your plans on what you believe your enemy **will** do. Base them on what they **could** do." It is about a strategy planning process with conditional modalities of plausible scenarios of addressing competitive threats and assessment of the response actions which neutralize these threats. In an important sense war gaming in business is much more complicated than in military due to the

¹ According to Nielsen Breakthrough Report (2018) 49% of all CPG growth was driven by small producers in 2019 in the US. Among Top 100 biggest consumer brands in US, 90% lose MS and 68% lose sales to smaller scale brands

great number of variables that the business stakeholders need to consider. War gaming strategies involve personal and business decisions which should lead to the desired outcome of excelling over the competitor and gaining more sales and/or market share on the specific market place. As such, war gaming is a complex commercial simulation which needs to deal with a set of hard and soft business objectives that must be fulfilled for addressing the competition and overall marketplace challenges. However, when it comes to fast-moving consumer goods (FMCG) industries some of war game objectives specific to the CG products are overlooked or ignored.

3 Limitations of Contemporary Business War Games in FMCG

Traditional commercial simulations often overlook complexity of CGP industry: manufacturers are often large multinational enterprises that work with relatively short product cycles, manage high employee turnover² and ever-changing consumer demand. As such, on one hand, business executives, line managers and functional experts in CGP industry are exposed to numerous systems of data reporting to provide a 'bigger ever-changing picture' on self-, the competition and the marketplace. On the other hand, majority of functional teams and their superiors need timely comparative data which would help them in their smaller daily operational jobs (e.g. Sales, R&D, Marketing, Insights). All of this makes it very difficult to provide constant, consistent and repeatable sharing and alignment of information on variety of own business performance drivers, and, more importantly, on drivers of competitive performance in order to effectively consider and counter market moves and adversarial strengths. Moreover, in many instances the complexities of dealing with multi-source data are miscounted which results in subsequent expensive designs of war gaming process, generating qualitative ideas without proper assessment of feasibility to launch competitive counteraction strategies and, finally, cascading war gaming results and solutions among various functional teams becomes too difficult due to organizational specifics of operations of the majority of consumer goods manufacturers.

As such, first objective which is often overlooked by war game designs deals with multiplicity of reported KPIs required to assess performance of own enterprise and similar KPIs to compare to the performance of competition prior war-game (e.g. share of market, distribution, media spends, assortment, pricing, brand penetration, etc.) This is done so that functional teams and their leaders have a complete, concise, and timely view of key performance areas across the own business to verify targets and analyze performance to determine changes to operations to achieve advantage over the competitor or a new market challenge. The information

² Average total turnover of all industries is ~18%, and those high stress, fast-paced industries 100% (2016 Compensation Force Study, American Staffing Association, USA)

necessary to gain insight in competitive marketplace requires input from not only company's operations, but also from the marketplace and external data providers. Therefore, the need to have a method of competitive intelligence integration preferably performed repeatedly with each consecutive planning cycle and incorporated into the culture of the organization is required to keep the stakeholders at all the levels of the organization up-to-date on marketplace and competitive challenges.

Moreover, it is often the case that war game methods include solely hard data from internal and external sources as an evidence for making decisions on the sequence of the moves throughout the war game play. It is also often the case that the soft data and evidence is sidelined as it is difficult to quantify and assess by the ever-changing internal business teams and management. However, market realities in the FMCG categories prove that frequently it is soft powers (e.g. agility of the management, proximity to consumer, organizational culture etc) that move brands and businesses forward, building a stronger growth and a more agile business. Lack of ability of businesses to use soft business KPIs in planning leads to the lack of comprehensive scenarios and uncertainty of success associated with pursuing specific action plan. Accordingly, there is a need for a comprehensive method of data quantification and integration, merging hard and soft data sources from multiplicity of data and research into a system of high integrity to able deliver precise, FMCG focused, and repeatable model to assess strength and weaknesses of business and competitive adversaries in the consistent manner to be a part of war-gaming method.

Next objective often overlooked in wargaming designs by both external consultants and internal war game owners is a need to remove bias of organizational politics in assessing the threats from competition and rationalizing own strengths and weaknesses. Large CG manufacturers have transformed into autonomous systems where internal people hierarchies play enormous role in how the own strategic and competitive narratives are created, played and cascaded throughout the organizations. Frequently, in many organizations' weaknesses and performance blindspots, even hard-data based, are downplayed or masked in an ambiguous language which is difficult to interpret for many employees, and, thus, difficult to comprehend and address later as part of competitive counter-planning.

As it relates to war-gaming process, factual gamebooks are accompanied by the narratives which can be manipulative in nature while inflating own performance and devaluating performance of the competition and vice versa. Therefore, in order to effectively counter competitive strengths, employees need to have an unbiased process to assess own business failures, understand competitive strengths and offer viable solutions in a safe-to-fail environment. This effectively means that employees need to feel comfortable operating variety of inputs/scenarios on what they believe organization should do as a response to specific war gaming challenge which might contradict narratives created by superiors which in turn can be perceived as politically incorrect, yet might turn out essential for business.

Normally, most of the war gaming designs include a form of the governing board or control body which sole purposes is to supervise the execution of the moves, control the sequence of actions and adjust the resulting actions/outcomes as per their excellent knowledge of the market. Hence, the role of the control group is to partially control if not remove bias completely. However, in reality it is often the case that individuals or organizations that are in the position to govern the war game are biased themselves for a number of reasons: positions of power, narrow functional knowledge perspective on war gaming hypothesis, dependent positions of the supplier in case if external agencies run the game, etc. Therefore, there is need to provide an unbiased assessment of the performance of the own business which is essential for the play and a similar unbiased evaluation of competitive adversary to move away from organizational politics and, therefore, minimize assessment bias.

Finally, the last limitation disregards dealing with the outcomes of the business war gaming once various scenarios are rationalized into the action plans to be executed in the short-term and long-term business planning. These war game scenarios and resulting action plans can be too hypothetical and further analysis is required to ground them into feasibility of execution which in turn will enable comparison of potential gains with investment required to attain these gains. When it comes to the scenario planning, business stakeholders need hard data to determine which of the proposed war-gaming scenario would be best to achieve the competitive edge and be the most cost-efficient. With multiplicity of scenarios which may be a result on FMCG markets, war-game business stakeholders often lack the tools and the ability for preliminary quantifiable assessment of one scenario over the other, relying mostly on the gut feel, intuition, opinion and emotion during the war game play. Without proper tools to quantify the optimal competitive scenarios, it may cost thousands of euro to pursue suboptimal competitive strategy based on the emotions.

4 Business War Games 2.0 – Addressing war games limitations for fast paced industries

At Brandz&Numbers we address limitations of the business war games by careful consideration of data, people, process, and essential business objectives behind war gaming. As such we include data management systems, and more particularly, computer-based data integration and data processing, a method for evaluating competitive strengths and probability of success on the market by scenario planning and deriving a single source competitive score, and a method for evaluating the costs associated with pursuing of specific competitive strategy – all as part of the war gaming process specific for FMCG markets.

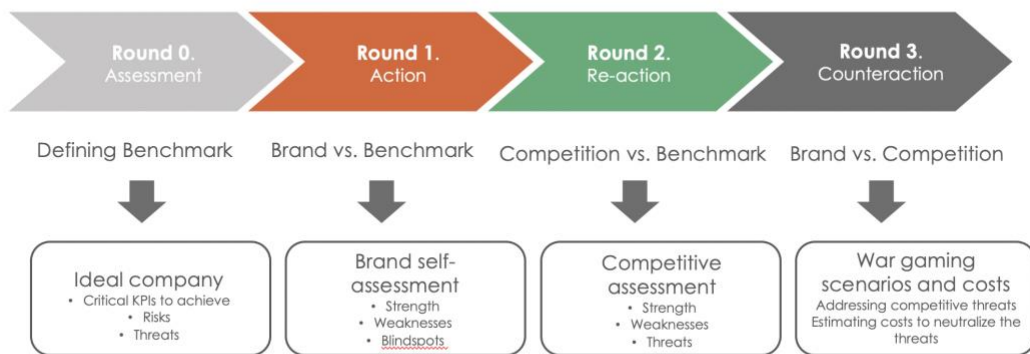
Our algorithm enables war gaming stakeholders to analyze variety of KPIs integrated into a single source competitive score which can be used under different war-gaming scenarios in an unbiased setting while addressing cost effectiveness of the action plan under each specific war game scenario. As a result, simulator allows to analyze

complex situations, objectively evaluate alternative solutions and optimize business costs related to operations based on the variety of the war-game scenarios derived from the KPIs pre-defined by the war-gaming framework.

The computer-assisted war-gaming framework consists of the 4-modules of the commercial simulation which retrieves internal and external data sources organized in four separate people discussion rounds that address one or more limitations of the war-gaming which existed in prior art. The analysis framework is adapted to the specific needs of the FMCG industry as it contains set of KPIs universal to assessment of majority of businesses and brands that operate on consumer goods markets.

Integrated Competitive Score©

ICS is prepared for the benchmark company prior to the wargaming. Later, at each stage of the discussions, ICS is calibrated for the brand/company to come up with meaningful model of addressing competitive threats.



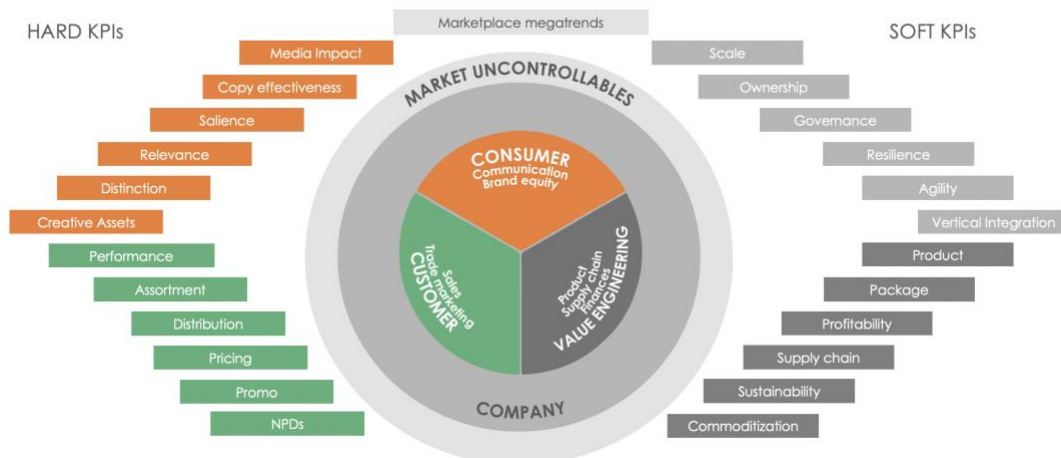
Graph 1. War gaming modules for scenario planning framework

The framework as whole and each module in isolation address one or more limitations of the prior art.

1. The framework operates a computer-based data management system, and more particularly, data integration, data processing, a method for evaluating competitive strengths and probability of success on the market by deriving single source competitive score of enterprise own and competitive performance which reflects specific war game challenge and models war gaming outcomes readable via **Integrated Competitive Score© (ICS)** indicative of ability of the consumer goods brand or business to withstand specific war gaming challenge. The score is flexible to operate with a set of compulsory core business KPIs and variable components which are adaptable to the specific of consumer goods products. The essence of the ICS with core and variable KPIs is represented on Graph 2.

Integrated Competitive Score © (ICS)

There is a specific list of KPIs as part of the composite index which we study both for the Client and competition to understand strengths, weaknesses and blindspots which can be targeted during wargaming.



Graph 2. War gaming integrated system of hard and soft KPIs indicative of company's performance

2. The system described herein provides businesses with the ability to evolve war game designs with a **repeatable** process and modules via using Integrated Competitive Score which operates as a computer-based system that receives, stores, and manipulates data in two sets of variables – **hard and soft KPIs** - and 5 business pillars (Uncontrollables, Company, Consumer, Customer, Value Engineering).
3. The War Gaming framework contains a description of computer-assisted war game scenario planning system which addresses the issue of **removing assessment bias** in war-gaming and rationalizing strengths and blindspots of business performance and performance of the competition by introducing experimental design in the business assessment simulator.
4. Finally, present system relates to computer-based method for evaluating **costs** associated with pursuing of specific war game scenario to provide an initial assessment of competitive gains vs. investment needed to pursue specific scenario to achieve these gains.

5 Additional Resources

Refer to the library of our War Gaming Cases on the Brandz&Numbers web page

6 Explore Other Resources

- Product Demo
- Training & Tutorials
- Community & Support · Customer Stories
- Other Solutions