



BSB105 A1 - Scenario Planning Report Final RACQ

The Future Enterprise (Queensland University of Technology)



RACQ SCENARIO PLANNING REPORT

BSB105 – The Future Enterprise (A1)

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TABLE OF CONTENTS

<i>1.0 Introduction.....</i>	<i>2</i>
<i>2.0 Client Opportunity.....</i>	<i>2</i>
<i>3.0 Scenario Planning Method.....</i>	<i>3</i>
<i>4.0 Scenarios.....</i>	<i>4</i>
Scenario 1.....	5
Scenario 2.....	5
Scenario 3.....	6
Scenario 4.....	6
<i>5.0 Conclusion.....</i>	<i>7</i>
<i>6.0 Reference List.....</i>	<i>8</i>
<i>7.0 Appendix.....</i>	<i>9</i>
7.1 Key Stakeholders.....	9
7.2 Business Trends.....	9
7.3 PESTLE Tool.....	10
7.4 Clusters.....	11
7.5 RACQ ‘Smart Shuttle’	11

1.0 INTRODUCTION

The purpose of this report is to analyse a specific client and identify emerging business opportunities and threats using a developed understanding of the scenario planning process. Through this process, the business will be able to adapt and respond appropriately to four possible futures the business may face in 2025. Using a range of tools and approaches, this report will outline client recommendations and evaluate them according to their feasibility and sustainability. Scenario planning is a highly useful method used by organisations to help manage future unpredictability and adapt to emerging trends and opportunities. This method is considered a long-term version of contingency planning and helps encourage the organisation to become more prepared than its competitors for future challenges. A sustainable scenario process can make executives '*comfortable with the ambiguity of an open future*' (Harvard Business Review, 2013) and foster the ability to adapt in times of conflict or crisis. Scenario planning is not about predicting the exact future of the organisation, but rather building a profitable and robust business that is able to anticipate trends and alternative future situations.

The chosen client for this report analysis is The Royal Automobile Club of Queensland (RACQ). RACQ is a mutual organisation and is Queensland's largest provider of car insurance for over 1.6 million members state-wide (Glenn Toms, 2021). Established in 1905, the organisation has developed over 115 years into a trusted and multidimensional establishment, providing products and services in a variety of areas including roadside and home assistance, banking, insurance and travel.

2.0 CLIENT OPPORTUNITY

Based on identified concerns and opportunities, the key question facing the business is; *How can RACQ adapt to the emerging technological advancements of electrification and autonomy within the roadside assistance industry by 2025.* Within the last decade, the industry has encountered the rapid development of technology which is presenting various risks to the current business model of RACQ. The two primary threats facing the organisation in the near future is the increasing consumer interest in electric and autonomous vehicles. This change in mobility has the potential to significantly disrupt the financial and value proposition of RACQ's current roadside assistance model and cause a decline in traditional mechanical service.

3.0 SCENARIO PLANNING METHOD

The scenario planning method follows a series of 8 stages. These key stages include Stage 1 (Setting the agenda), Stage 2 (Determining driving forces), Stages 3 to 5 (Clustering), Stage 6 (Framing scenarios) and Stages 7 and 8 (Developing scenarios).

Stage 1 of the scenario planning method focuses on determining the key issue of concern facing the organisation, specifically RACQ and the roadside assistance industry. Following research of market trends and changing consumer demands, the primary challenge causing uncertainty for the future of the business is in relation to the emerging technological advancements in autonomous and electric vehicles. This key question posed in the client opportunity (ref. Section 3.0), sets the agenda for the remaining steps of the scenario planning method and formation of scenarios. In combination with the primary business concern is understanding the main concerns and excitements of the organisation's stakeholder's (ref. Appendix 7.1). The key stakeholders of RACQ were identified as the customers or members, employees, suppliers and government.

Stage 2 of the scenario planning method determines the driving forces of the organisation by identifying the most relevant business, technology and social trends (ref. Appendix 7.2). The 'business trends' table is used as the preliminary step before expanding and identifying further trends using the PESTLE framework (ref. Appendix 7.3), which analyses the macro-environment factors including political, economic, social, technological, legal and environmental. The PESTLE framework is a useful analysis tool for businesses entering an uncertain market, specifically RACQ entering the emerging technological market of roadside assistance. This tool gives the business a thorough understanding of their competitive position and an enhanced ability to appropriately assess the potential risks within their specific industry.

Stages 3 to 5 of the scenario planning method involves clustering the identified trends in the PESTLE table to represent the broader, underlying themes within the organisation of RACQ (ref. Appendix 7.4). The process of clustering is used by businesses to categorise and analyse a variety of ideas through strategic organisation. By classifying and reorganising ideas, the business is able to gain a deeper appreciation and understanding of the emerging trends within the industry. As ideas are clustered, new connections and contexts will begin to emerge among the themes. In relation to RACQ, ideas were categorised into 4 individual clusters. These clusters include emerging opportunities (1), future of mobility (2), government intervention (3) and market disruption (4). After clusters have been identified, each cluster is then measured by scale of feasibility and importance to the organisation. Specific to RACQ, the most important clusters to the organisation were clusters 1, 2 and 4.

Stage 6 of the scenario planning method focuses on creating the axis for which the scenarios will be framed from. In order to establish two separate axes, the similarities between the important clusters needs to be identified to show how the scenarios could relate to one another. The two primary similarities identified for RACQ was the degree of technological advancement of products and services (low to high) and level of consumer demand (low to high). These two axes are then used to highlight the critical uncertainties and common themes in relation to the client of RACQ. The two variables were chosen for the axes as they strongly reflect the emerging trends and opportunities

within the roadside assistance industry and relate to the primary concern for the organisation as outlined in the client opportunity (ref. Section 3.0).

Stages 7 and 8 of the scenario planning method involves shaping the relationship of the two identified critical uncertainties into four possible future scenarios. The four scenarios finalised in this stage of the scenario planning method are explained in further detail in the following section. Each scenario will be discussed in terms of its plausibility, social and ethical implications, further client opportunities, uncertainties and the negative and positive outcomes for the business and relevant stakeholders. Through these four possible scenarios developed from the scenario matrix (ref. Figure 4.1), RACQ will be able to critically identify and navigate the driving trends and market forces the organisation may face in the future.

4.0 SCENARIOS

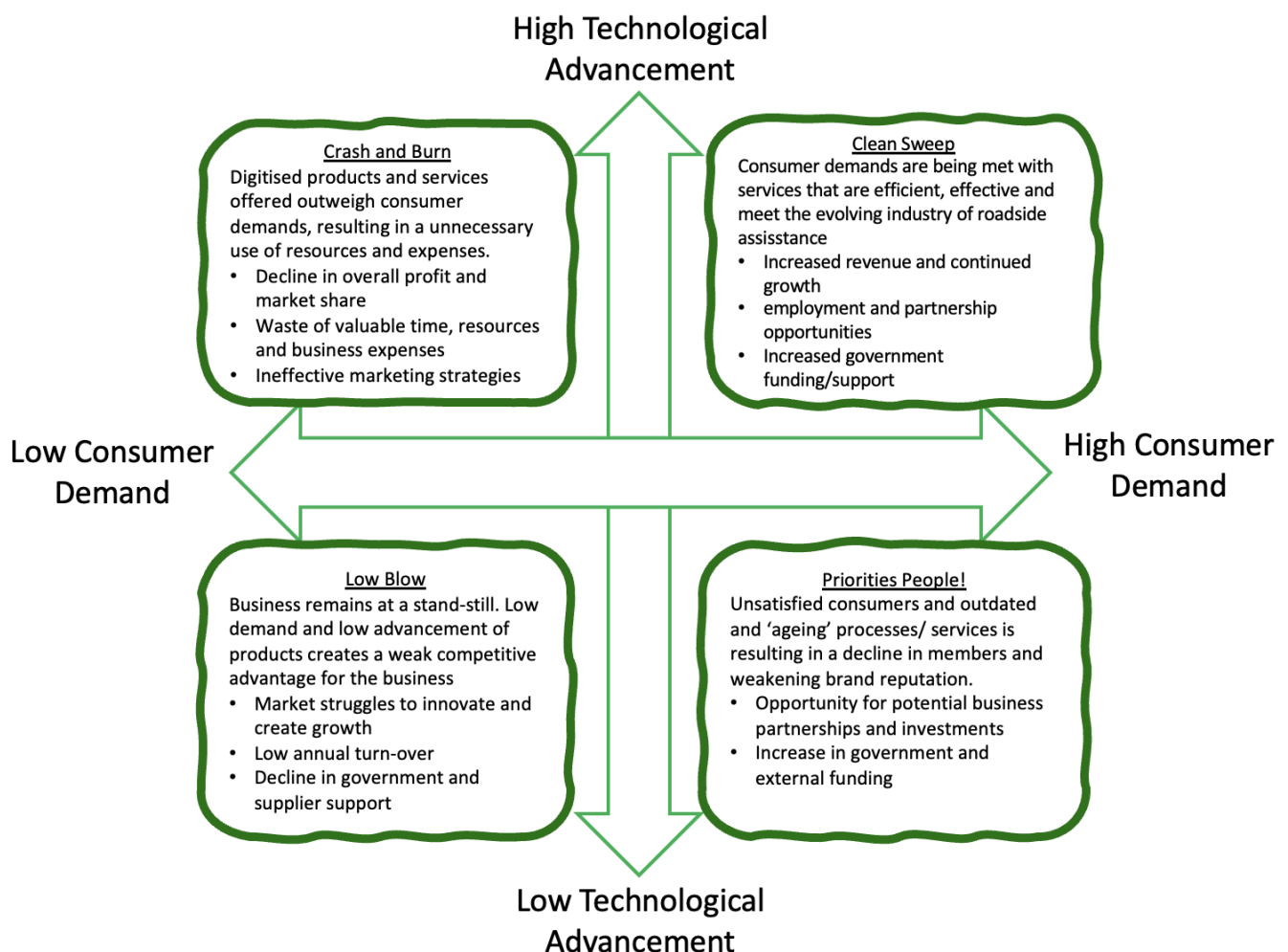


Figure 4.1: Illustration of Scenario Matrix

SCENARIO 1

Scenario 1 titled 'Crash and Burn', involves highly digitised and technologically innovative products and services that fail to align with increasing consumer demands. Within this scenario, RACQ has poorly implemented marketing strategies and advertising campaigns that fail to focus on member support and service, resulting in a number of challenges for the organisation and its stakeholders. A negative outcome of this scenario is a decline in annual turnover and overall company revenue, a consequence of unnecessary use of resources and expenditures used to reflect the growing technological market trends. As RACQ is experiencing low demand from consumers in this scenario, it can be assumed that company brand reputation has also been severely impacted and is losing members to more competitively advanced organisations who are displaying effective customer service skills. Although this scenario presents multiple negatives for the business, there are also a variety of notable positive outcomes. These positive impacts include the opportunity for the business to invigorate declining consumer demand through employee retraining programs focused on improving their understanding of customer interests and behaviours. Another opportunity lies through reevaluating their current consumer target market and considering exploring more specialised, niche sectors that have potential to create profit and continued growth. The COVID-19 pandemic has created a challenging environment for the domestic economy, resulting in serious '*repercussions for the automotive industry...and a collapse in consumer confidence*' (RACQ, 2020). In reflecting these current industry trends, this particular scenario is reasonably plausible as the evolving automation and electrification of vehicles continues to threaten the current business model of RACQ into 2025.

SCENARIO 2

Scenario 2 titled 'Clean Sweep', involves RACQ providing products and services that are highly advanced and which reflect growing consumer demand for digitalisation and increased mobility within the roadside assistance industry. Within this scenario, RACQ is providing efficiency and effectiveness to members, resulting in various positive outcomes for the business including increased growth, influx in revenue and continued funding and support from governmental and external organisations. This scenario represents an ideal future for RACQ where the business is able to adapt to the rise of autonomy through offering digitised assistance services such as complex computer-aided dispatch and AI applications, thereby remaining competitive in an ever-evolving industry. In order for RACQ to maintain this possible scenario, the business should focus on continuing to build sustainable relationships with key industry suppliers and ensuring existing and future partnerships with leading companies are prioritised. With these considerations in the forefront of the organisation's future, this scenario can be considered highly plausible for RACQ. With the company's recent 30% investment in Blackbook.ai, an artificial intelligence and robotics services business, RACQ is confident that the collaboration will '*successfully add value to the emerging...market, and ultimately benefit [its] members*' (RACQ, 2020). Therefore, in order for RACQ to actualise this scenario, they should continue to invest in emerging technologies such as Blackbook.ai and ensure that consumer demands and expectations are exceeded by 2025.

SCENARIO 3

Scenario 3 titled 'Low Blow' involves RACQ failing to produce innovative and technologically advanced services in their current business model, while also inadequately catering to the growing consumer demands and expectations, resulting in a variety of challenges for the organisation and its stakeholders. Within this scenario, the business experiences a complete standstill as low demand and low product advancement creates a weak competitive advantage, dramatic decline in annual turnover and government support, and also severely impacting the overall innovation and growth of the market in which RACQ operates in. The rising threat of electrification roadside assistance processes is also presenting as a challenge as typical battery replacement in internal combustion engines does not apply to an electric vehicle due to the dangerously high-voltage batteries. As this particular scenario is considered to be the most undesired for the business, there are minimal positive outcomes for the future. The few opportunities for the business rely on rebuilding brand reputation and customer loyalty through implementing membership benefit programs and incentives. Through this strategy, RACQ may be able to gradually re-gain consumer demand and re-establish their competitive position within the market. The feasibility of this scenario for the future can be considered low as the company is already integrating new electric services to remain competitive and relevant within the changing industry by 2025. A current example of this is RACQ's '*government-funded smart EV charger initiative*' with major electrical industry organisation, Origin. (RACQ, 2020).

SCENARIO 4

Scenario 4 titled 'Priorities People!', involves the combination of the business struggling to produce innovative and technologically advanced services, with declining consumer demand and lack of interest in RACQ as a roadside assistance organisation. Within this scenario, there are a number of negative outcomes and implications on the business, including unsatisfied consumers and outdated or 'ageing' processes that are resulting in a decline in member registrations and ultimately weakening the previously strong brand reputation of the business. Although this scenario presents negative implications, there are also a number of notable opportunities that RACQ could consider, including the possibility of increased government funding and participating in various investments with suppliers to further stimulate growth and innovation. A stronger prioritisation on generating increased government intervention and support would greatly assist RACQ to further explore the roadside automotive market and the suitability to Australian consumers. A current example of the business exploring such opportunities is the joint initiative with RACQ and the Redlands City Council of trialling Queensland's first on-road trial of an autonomous bus (RACQ, 2020), appropriately named as the 'Smart Shuttle' (ref. Appendix 7.5). in relation to feasibility of the scenario, it is reasonably likely for RACQ to experience high consumer demand for technological services that are yet to be offered in the market, due to high start-up and resource costs. Being able to expand on current technological innovations such as the 'Smart Shuttle' will help the organisation to remain competitive and adapt to the changing market conditions within the roadside assistance industry by 2025.

5.0 CONCLUSION

In summary, this report has outlined the emerging business trends, opportunities and threats that RACQ may be faced with in 2025, specifically through the scenario planning method. Using a range of analytical tools and processes, four future scenarios were identified according to the constructed scenario matrix and corresponding axis of technological advancement and consumer demand. These scenarios allow RACQ to transition into an agile enterprise, prepare for unexpected 'black swan' situations and identify emerging changes in the roadside assistance industry, particularly focusing on the rise of autonomous vehicles and the digitisation of roadside products and services. Each scenario has been discussed in terms of feasibility, future sustainability and impact on relevant stakeholders of the business, however, for RACQ to continue to grow market share remain 'Queensland's largest club', it is essential that the scenario planning method and key client opportunity is integrated into the organisations current strategic planning framework for 2025.

6.0 REFERENCE LIST

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7.0 APPENDIX

7.1 KEY STAKEHOLDERS

		What are they concerned about?	What are they excited about?
The Organisation:	<i>RACQ</i>	• Evolving technology sources disrupting typical roadside intervention • Emerging industry of autonomous vehicles eliminating the need for roadside assistance	• The future of roadside assistance and possible opportunities for RACQ → growth of industry • new technologies leading to new product and company expansion (more competitive roadside business model)
The Organisation's stakeholders:	<i>Customers/Members</i>	• The current products/services offered by traditional roadside assistance not being equipped to maintain rapid industry and technological growth	• New member benefits/reward programs for the future business of RACQ
	<i>Employees</i>	• Possible redundancy of suppliers or job positions due to emergence of autonomous vehicle (e.g. replacement of mechanical servicing)	• Possibility of new job opportunities i.e. technology based support systems, expansion of computerised dispatch, data modelling and AI operation
	<i>Suppliers</i>	• Meeting set targets and KPI's within an uncertain/challenging time for the industry	• New market opportunities of supplying more technology advanced products → higher percentage of income from RACQ
	<i>Government</i>	• Losing revenue from RACQ due to decrease in traditional roadside assistance (government-funded organization) • Maintaining high annual turn-over	• Potential increase in profit and company revenue for the future of RACQ • automotive battery has given industry another lease of life for the next 10 or 20 years

7.2 BUSINESS TRENDS

<i>Business Trends</i>	<i>Technology Trends</i>	<i>Societal Trends</i>
• 15-20% increase in premium roadside assistance within 12 months (e.g. tour, car hire accommodation, incident management services) • Current business model is achieving an annual turnover of \$300m • Future mobility/propulsion within automobiles will no longer be non-internal combustion engines (market disruption) • Core capabilities --> process logistics (competent/process efficient at moving assets to customers) --> 32-minute average response time • Rise of autonomy/changing mobility destroying financial and value proposition of current roadside assistance	• Technology sources are rapidly evolving within the last 10-15 years --> internal combustion engines becoming extremely efficient (decline in typical 'breakdowns') --> between 1/3 and 1/2 of calls are for failure of automotive battery • Transition from typical mechanical intervention --> automotive intervention • Technological assistance including: --> complex commercial grade computer aided dispatch --> AI, web applications • Creates problem for future --> automobile will be communicating with manufacturer rather than roadside service (RACQ becomes an intermediary) • New engine power source (hydrogen, high volt batteries)	• 1.3 million qld's using roadside assistance • Growing and trusted brand (strong reputation) --> 100-year company as a quality service provider • Autonomy --> problem of customer contacts manufacturer instead of roadside service (shift in customer expectation) --> less of a need for roadside assistance (customer satisfaction - self-driving car) --> manufacturer as a competitor • Electric car --> connected to home power sources e.g. solar and home batteries

7.3 PESTLE TOOL

PESTLE Analysis					
POLITICAL	ECONOMICAL	SOCIAL	TECHNOLOGICAL	LEGAL	ENVIRONMENTAL
- Future mobility/propulsion within automobiles will no longer be non-internal combustion engines (market disruption) - Emergence of technological advancements in roadside intervention (automotive battery) has given industry another lease of life for the next 10 or 20 years - Ensuring revenue/increased growth --> continuing to grow premium roadside service/products - Possible reduction in government funding overtime - Investing in other business's (e.g. ADAS, mobility centre's) and development value chain - Partnerships with emerging corporations e.g. Tesla, Uber - Government incentives/disincentives	15-20% increase in premium roadside assistance within 12 months (e.g. tour, car hire accommodation, incident management services) - Evolving core capabilities and process logistics - Current business model is achieving an annual turnover of \$300m - Changing mobility destroying financial and value proposition of current roadside assistance - Invest in technologies and solutions now --> ensuring business is keeping up with the service - Electric cars result in increased insurance premiums	1.3 million qld's using roadside assistance - Growing and trusted brand (strong reputation)--> 100 year company as a quality service provider - Autonomy causing problem of customer contacting manufacturer instead of roadside service (shift in customer expectation) - Manufacturer as a competitor rather than partner - Auto car connected to home power sources --> opportunity for expansion of products/power sources into consumers homes - Due to disruption of current roadside model --> could lead to significant job cuts/unemployment - Number of electric vehicles in urban areas expected to increase over next 5-10 years - Vulnerability of consumers (need reassurance of safety)	- Technology sources are rapidly evolving within the last 10-15 years - Internal combustion engines becoming extremely efficient - Decline in typical 'breakdowns' --> between 1/3 and 1/2 of calls are for failure of automotive battery - Transition from typical mechanical intervention --> automotive intervention - Advancement of technological assistance including complex, commercial grade computer aided dispatch, AI, web applications - RACQ becomes an intermediary - Micro-mobility - Broader mobility e.g. electric scooters, drones etc	- Autonomous car could mean less roadside/traffic accidents --> therefore lower legal claim costs - Introduction of legal regulations for electric vehicles - Increased litigation claims (safety concerns about operating on electric engines)	- Electric car reducing need for fuel (replaced by solar energy) - New engine power source (hydrogen, high volt batteries) means less carbon emissions from use of petrol - Increasing urbanisation - Climate change increasing need for replacement of traditional fuel sources - Autonomy not expected to penetrate rural/country regions
QUT BSB105: The Future Enterprise				*all information sourced from client video and interview of Glenn Toms (accessed via QUT Blackboard)*	

7.4 CLUSTERS

Cluster 1: Emerging Opportunities

- Ensuring revenue/increased growth --> 15-20% increase in premium roadside assistance within 12 months (e.g. tour, car hire accommodation, incident management services)
- Investing in other business's (e.g. ADAS, mobility centre's) and development value chain
- Evolving core capabilities and process logistics
- Internal combustion engines becoming extremely efficient
- New engine power source (hydrogen, high volt batteries) means less carbon emissions from use of petrol
- Climate change increasing need for replacement of traditional fuel sources

Cluster 2: Future of Mobility

- Emergence of technological advancements in roadside intervention (automotive battery) has given industry another lease of life for the next 10 or 20 years
- Partnerships with emerging corporations e.g. Tesla, Uber invest in technologies and solutions now --> ensuring business is keeping up with the service
- Broader mobility e.g. electric scooters, drones etc.
- Advancement of technological assistance including complex, commercial grade computer aided dispatch, AI, web applications
- Technology sources are rapidly evolving within the last 10-15 years
- Decline in typical 'breakdowns' --> failure of automotive battery, could mean less roadside accidents (lower legal claim costs)

Cluster 3: Government Intervention

- Incentives/disincentives
- Possible reduction in government funding overtime
- Due to disruption of current roadside model --> could lead to significant job cuts/unemployment
- Introduction of legal regulations for electric vehicles
- Increased litigation claims (safety concerns about operating on electric engines)
- Vulnerability of consumers

Cluster 4: Market Disruption

- Changing mobility destroying financial and value proposition of current roadside assistance
- Autonomy causing problem of customer contacting manufacturer instead of roadside service (shift in customer expectation)
- Future mobility/propulsion within automobiles will no longer be non-internal combustion engines (market disruption)
- Manufacturer as a competitor rather than partner
- RACQ becomes an intermediary
- Transition from typical mechanical intervention --> automotive intervention

7.5 RACQ 'SMART SHUTTLE'



Source: RACQ, (2019, November 26). Wheels now turning on RACQ driverless bus trial. Retrieved April 20, 2021 from <https://www.racq.com.au/Live/Articles/MR-261119-Wheels-now-turning-on-RACQ-driverless-bus-trial>