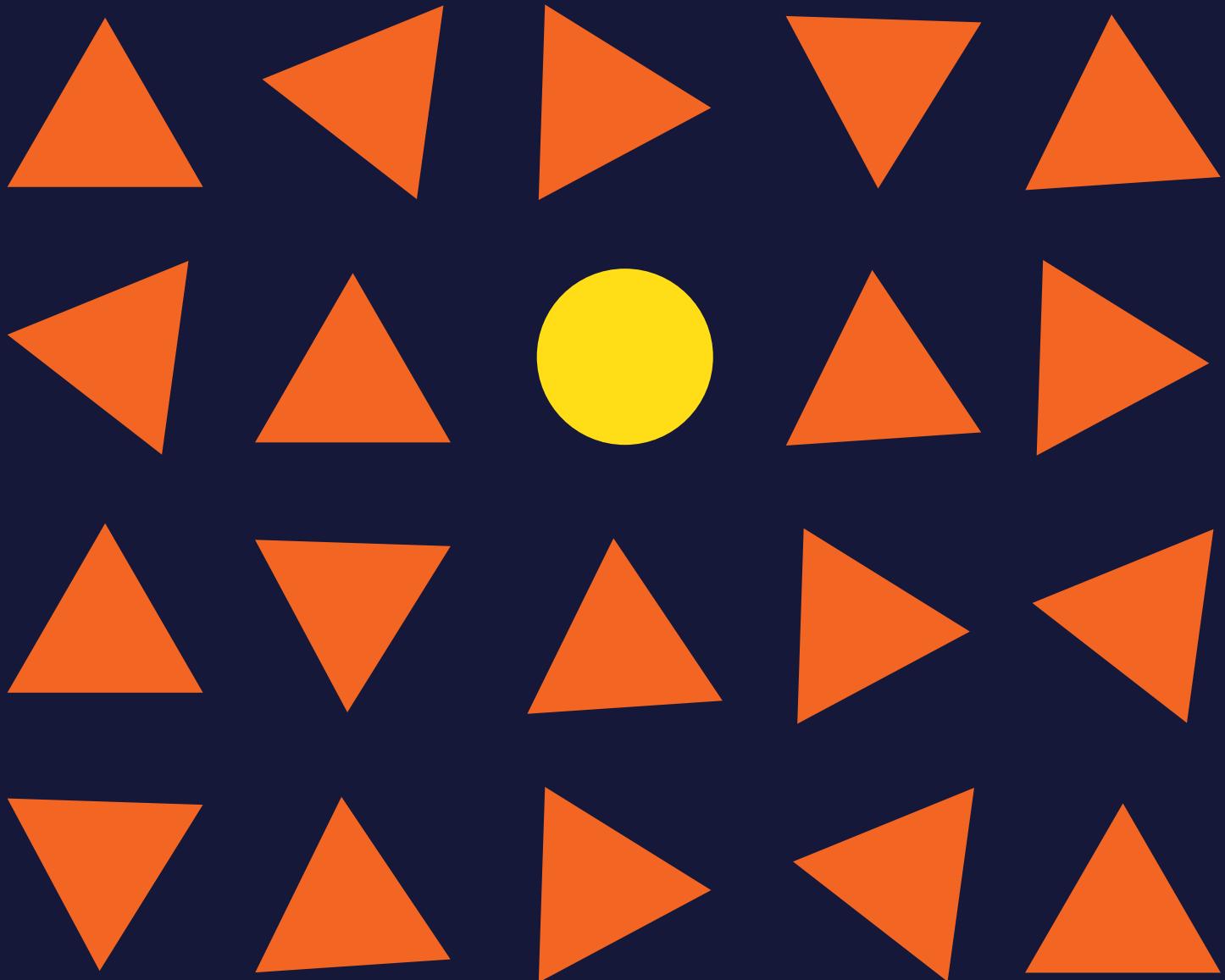


Data Driven Crisis Management

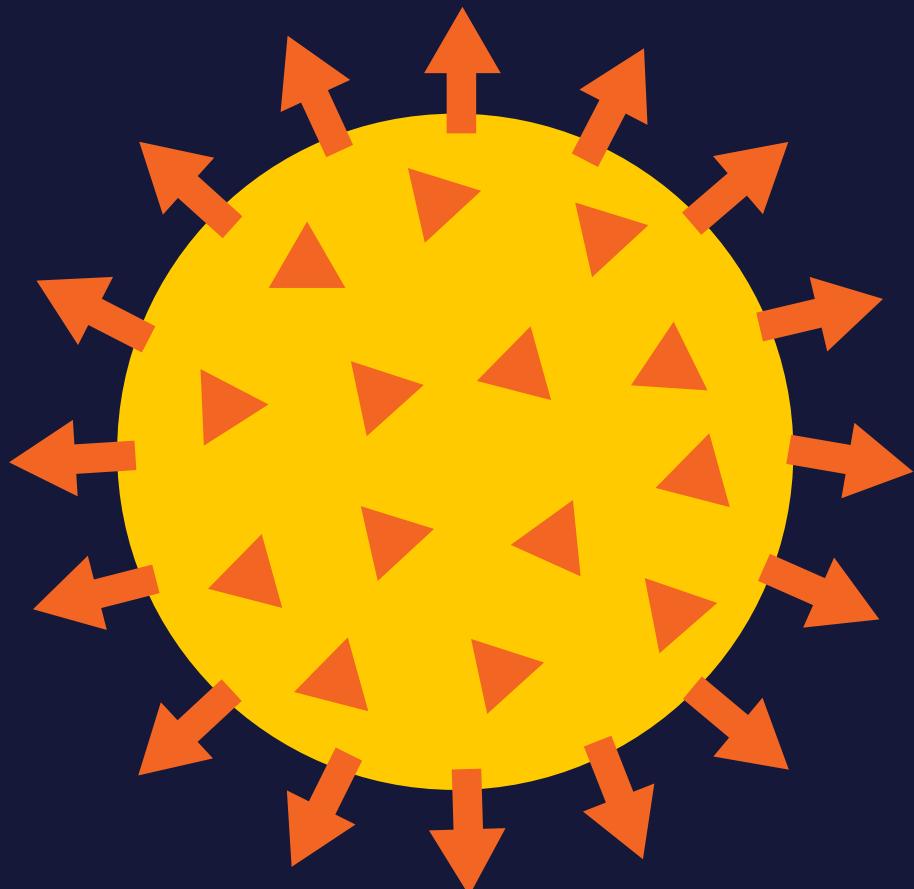


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CHAPTER I

Introduction

The current global situation caused by the Coronavirus and Covid 19 disease is a crisis hitting all businesses, in all countries, in various ways. In a matter of weeks, the virus, and the necessary steps to contain it, have changed consumer buying, capital investment, and directly constrained entire industries.



In 'normal' times, data driven leaders make decisions in a relatively orderly fashion. When your results don't mirror your plan, the data will not only tell you why things didn't go as planned but also, with the right tools, provide the key to modifying your future initiatives & expectations.

In a crisis, however, this playbook no longer works. Most of the historic data used in normal times no longer helps predict the future so not only is your future extremely uncertain, it's unclear what data you can use to help decide what to do. This leads to high stress and often unfocused, undisciplined decisions.



You are in crisis, you have to start working differently, but what do you do? Data driven business leaders know that using data is essential to staying focused and thinking rationally, but what data can we use to survive or even thrive in a crisis?

In this e-book we will explore, discuss and detail the various methods and approaches to do just that, which you can use immediately to take back control.

Specifically:

- I.** What data can you trust?
- II.** Planning in an uncertain market
- III.** Identifying Early Indicators of recovery
- IV.** Finding Green Shoots of new opportunity
- V.** Conclusion

CHAPTER II

Who do you trust?



Data is, by definition, a record of the past. However, when you are in the midst of a crisis, the past may not be a reliable indicator of the present. Take the below example, which is a measure of the revenue volume for a hypothetical company:

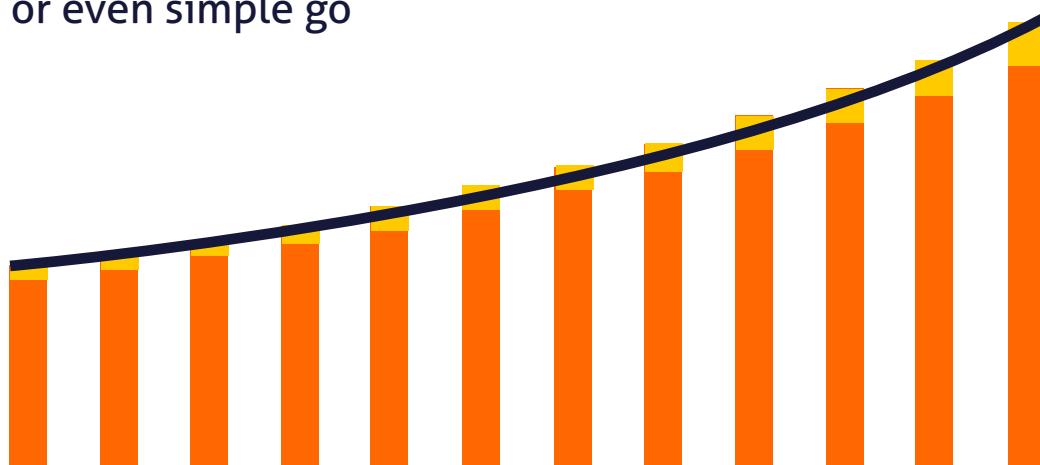
If a crisis were to occur, it is highly likely that the revenue of the above hypothetical company would change significantly. If the company saw more demand, for example if it sold 'essential products' for example, revenues might rise significantly.

If on the other the hypothetical was forced to shut down revenues would drop or even simple go away.

As is typical during a crisis, the nature of the metric changes so significantly that there is little resemblance to the earlier data. Not only is the magnitude of the data vastly different, the metric is much more volatile during the crisis.

Many (if not all) of your metrics will follow a similar path, meaning that you can no longer trust the assumptions you had before the crisis started.

The projections, the expectations and the models you have built before the crisis might need to be thrown away in their entirety.



If you can no longer trust the validity of your data or projections it is impossible to make reasoned decisions. As a result, the first thing you need to do is determine what data you can trust.

This is the biggest challenge in managing during a crisis as there is no way to know the extent of what is changing, but here are some places to start looking for a foothold:

1. What has NOT changed?

It is likely that some parts of your business have not changed, and if you can identify them, they are a great place to start.

- Even if you have fewer customers, are some customer segments remaining consistent?
- Even if you have less traffic, are conversion rates the same?
- Even if your partners are struggling, are any of them still contributing?

These things which have not changed are the foundation of your business, and the foundation upon which you can build your recovery.

With everything else stripped away, these are the things that are the core engine of future growth.

2. What is still working?

Even if part of the business has changed, it still might be working (albeit not as well as before). Identifying these working pieces is important, as they are often strong indicators with regard to where opportunities might be hiding.

For example, if overall transactions are down, identify which customer segments are still buying and which have stopped buying altogether. Drops are rarely the same across the board, so separating what is not working at all from what is still working is an important start.

3. Test, test, test

Since all of the rules have changed, you cannot rely on your old playbook. Don't assume that your annual promotion will still be a success. Instead run a smaller but similar promotion earlier and measure the results.



It's possible that people will react differently, and knowing ahead of time will avoid wasting time, money and effort on initiatives rendered ineffective by the dynamics of the crisis. The more you test, the more you will know what to trust and the more building blocks you can rely upon.

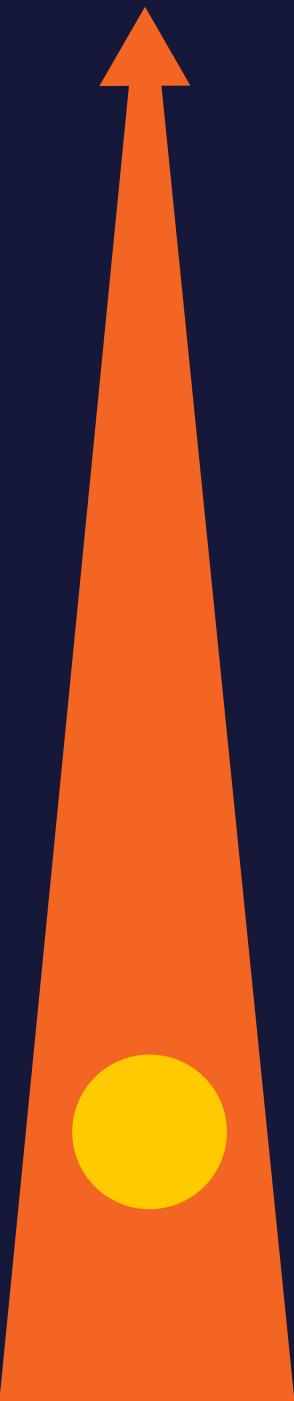
Effective recovery strategies aren't built all at once but rather in blocks. It is testing that informs you which blocks are effective letting you build your new strategy more quickly.

You don't want to wait for everything to be fixed to build a new strategy and building a strategy on assumptions and guesses is dangerous. These blocks are reliable pieces you can use to start to recover.



CHAPTER III

One Move Ahead



If you are an experienced leader, you know a successful business strategy requires both thinking and planning. However, in a crisis, planning ahead is often impracticable, due to cost, budgeting pressures, etc. or in some cases impossible. At the same time, you can't operate without a plan. What is the solution?

Crisis management requires you to use time dilation in your planning. You want to start planning in very short-term increments and expanding that planning timeline as the crisis settles and things become stable enough to plan farther in advance.

Time dilation in planning might proceed as follows:

When the crisis first hits, you abandon your old plan and focus on getting your bearings. What metrics can you trust? What fundamentals still hold true? As you find those foundational elements you begin with short term plans, perhaps month-month.

This allows you to both test your assumptions and gather more information about how the crisis will play out. At some point the market will stabilize (but not recover) so you can plan for the next quarter.

Eventually, the market will begin to recover, and you can begin to plan a year in advance again.



Note that there is no set amount of time to transition from one mode of planning to another. The correct answer will depend on your business and the nature of the crisis. Some crises last days, while the Coronavirus crisis promises to last many quarters.

Because long term planning is so fundamental to companies, it can be tempting to try and revert back into long term planning mode too quickly. It feels more natural to follow old habits, so it's natural to try and push things back to the way they were.

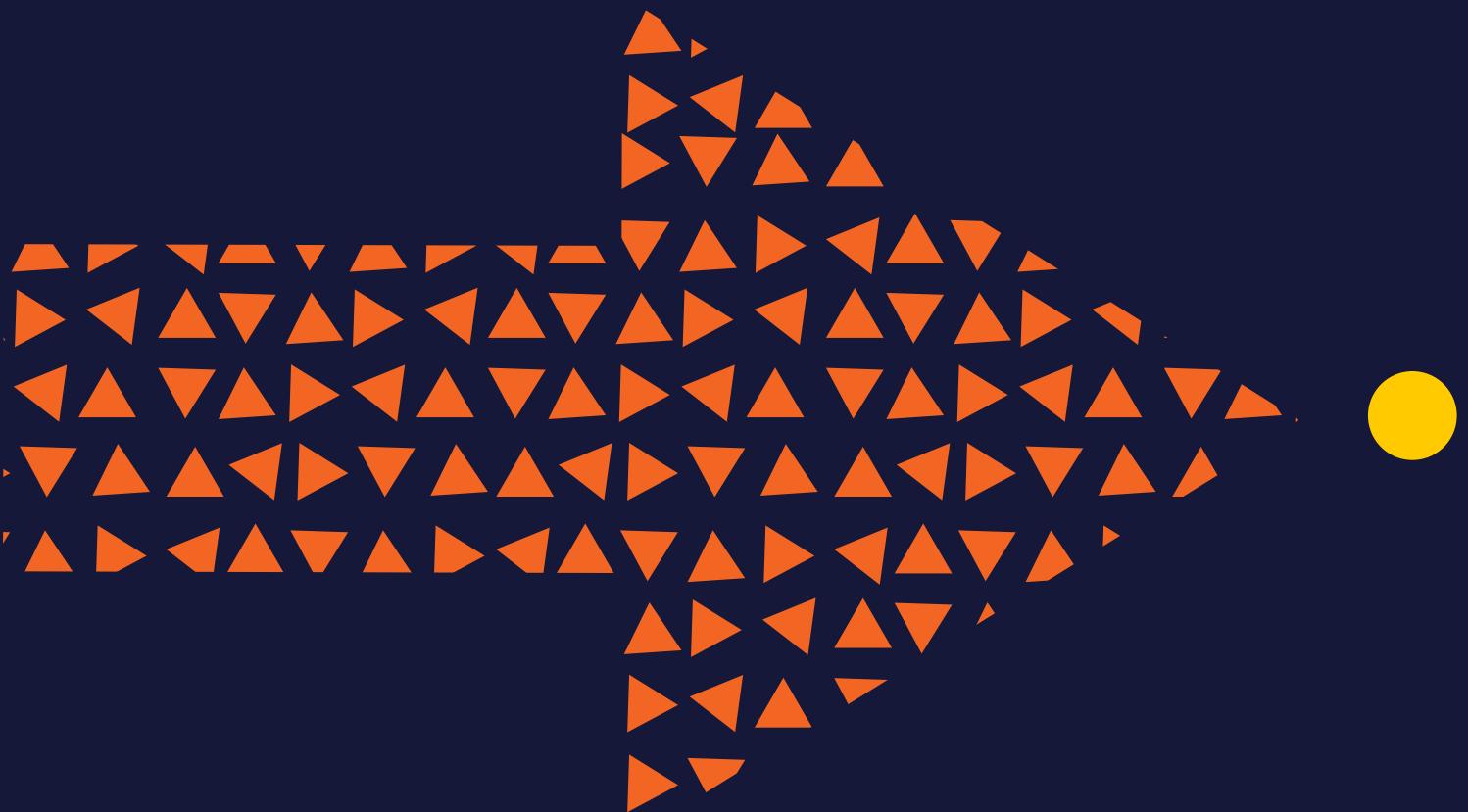
This is dangerous since it means you aren't following the data, and in doing so likely risking more mistakes and more time wasted.

Planning is more of an art than a science, so you will need to trust your experience and the early indicators you identify in your data to know when to make the right planning transitions.



CHAPTER IV

Early Indicators



Timing plays a huge factor in the relative success of crisis management. Companies that identify signs of recovery first are the best positioned to take advantage of the market growth that results. The earlier you invest capital and prepare, the more likely you surf the recovery wave to a leadership position in your industry.

However, investing prematurely may put pressure on your financials, often stretched due to decreased business. To put it another way, invest too early and you might run out of capital before the recovery materializes. Invest later than your competitors and you risk falling behind them. How, then, do you identify when a recovery might be starting?

The most important thing is to identify the early indicators. There are a number of types of early indicators and places to look for them, including:

Customer Behavior Indicators. Customers lead any market, so watching for signs that customer behavior is changing is the strongest early indicator of a market shifting. Purchases are the last part of the customer buying journey so don't rely on purchases as they will be a trailing indicator of these changes.

Shifts in advertising conversions, increases in activity and jumps in customer support requests can all indicate that customer behavior is beginning to shift. If possible, watch all possible customer segments since you never know which ones will give you the early indications you need.



Market Indicators.

While individual customer segments and product purchases might be too noisy to discern a definitive signal, the overall market performance can blend these smaller signals into a larger signal.

The problem is that small changes need to add up to large changes to move the market metrics, which means that by the time the market metrics change the indications might be lagging behind.



Even so, looking for even small shifts in overall market performance can be an important hint to look deeper for other indicators that are hiding below the surface.

Competitive Indicators.

Watching your competitors can be one of the most important early indicators of change.

For example, if your competitors are having massive layoffs it's possible that they are struggling, and their customers are vulnerable for you to pursue.

If you see your competitors pursuing specific segments of customers with specific promotions, it's quite possible they have found green shoots of opportunity that you can capitalize on as well.



There is no penalty from learning what others have found, and if you see a number of competitors pursuing an identical or similar strategy, that can be an indication of a strong signal.

Beware however that in following the crowd they might be running into a wall as a group and leading you down the same path. Sticking to your tried and true analytical process de-risks this from happening.

Even the best early indicators can mislead you, and it's easy to mistake the signals for a recovery with normal fluctuations in the midst of a crisis. To avoid letting your desire for a recovery bias your decisions, it's important to set out criteria before looking at the data.

What will your early indicators have to show you for you to be confident a recovery is underway? What kind of thresholds or trends do you need to see?

Make sure to write down those criteria and always refer back to them, as it will provide important objectivity even if emotions run high.

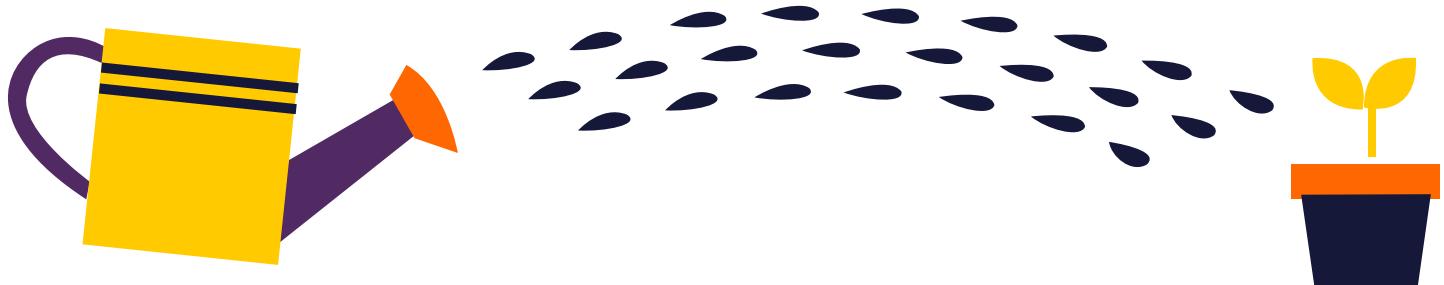
If you are diligent and data driven, you can turn the crisis into a competitive advantage by riding the recovery earlier and more effectively than your competition.

CHAPTER V

Green Shoots

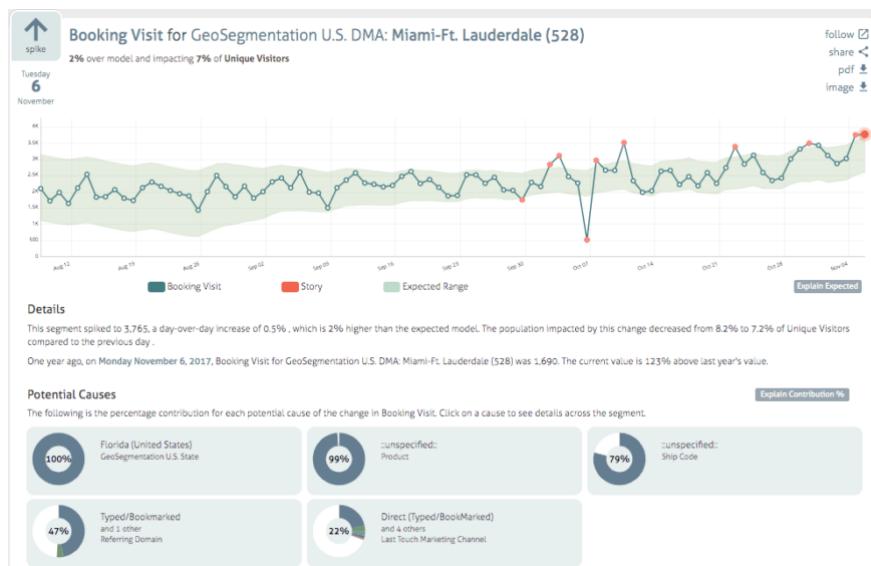


Forest fires can cause vast amounts of destruction, but even the worst forest fire is followed by new growth. These green shoots represent the promise of future, healthier forests.



The same is true of business as every disaster brings with it new opportunities for future growth. , The Coronavirus crisis, and the combination of travel restrictions and the fear of on board infections, has decimated the Cruise Lines industry.

However, even in the midst of such an acute crisis there are green shoots for the Cruise industry. One of the largest cruise companies in the world, in the early days of the crisis, identified that there were some customer segments who were still buying and, in fact, buying more cruise tickets based on promotions they were running. An example is below:



Because markets change dramatically during a crisis, these green shoots can appear in unexpected places. While it is almost impossible to know where they will pop up, the business that are prepared to look for them will find them more quickly, getting a head start on the new growth that drive major gains. How do you find green shoots? Here are some ways:

1. Survey ALL of your data.

Since green shoots will appear in unexpected places, you can't rely on your intuition to know where to look for them. Surveying the entirety of your data is critical, since the larger the net you throw the more likely you will catch them.



For example, some of the best green shoots for customer growth might come from customer support requests, as customers seeking help with your product are still **engaged**. That can tell you a lot about what types of new customers you should target.

2. Think differently.

One of the most important mental shifts you can make during a crisis is to view problems as opportunities. Something that means hurting your business in the short term in exchange for long term growth.

For example, if customers aren't buying your product but existing customers are still upgrading their accounts you might want to start offering a free version of your product and rely on upgrades for new revenue.



3. Talk to your customers.

Quantitative data is important, but qualitative feedback from customers can reveal things that are not obvious on the surface. For example, if some segments of customers are still buying your product during a crisis it's possible, they are using the product in an entirely new and unexpected way that can be a new market opportunity for you.

To get this feedback, you'll need to do more than offer surveys and gift-cards, you need to build customer discussions into your buying experience. While the friction can reduce sales in some cases, the new information you gather is will pay huge dividends in the future.

The best thing about green shoots is that they are the fuel for future competitive advantages. If you find green shoots before the competition, you can get a head start on a market recovery and build growth engines for the future while they still struggle to make their old approach to business work. While this is generally good advice, during a crisis it becomes a secret weapon.



Conclusion



The Coronavirus disease have fundamentally changed life as we know it forcing us to live in a state of deep and unyielding uncertainty. As a result previously mundane decisions suddenly involve meaningful and sometimes life or death consequences. It is also unclear how long will this uncertainty last. Have we entered a new 'normal' and if so how long must we wait?

While health and safety is the primary concern, the resulting business tumult and uncertainty means as a business leader you are facing once in lifetime business challenges.

Outlier finds the unexpected in your data automatically and quickly. In this new normal, it is imperative that your resources be focused on the most optimal outcomes for your business.

And while you know smart business, data driven business, is about having actionable and timely data, it is also unclear if the current business environment is also a new normal.

While we don't yet know the answer to those questions, we do know that we are in a crisis, a crisis so severe you have no option but to start working differently.

We hope that the methods and approaches outlined above will provide you frameworks to revise some of your data driven decision making procedures.

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