



Crimson Hexagon

Braingraph

Value Driver in the Digital Economy

CoLab Series 3.0 – Webinar 18 July 2017

From Uncertainty to Opportunity - Identifying Opportunities Across Key Dimensions of Uncertainty



Our Principles

DIGITAL EXPERTISE

Braingraph is a digital analytics & insights enterprise that thrives on the skills and expertise of our team. All team members have experience running digital businesses and understand your digital needs.

FOCUS ON VALUE

Not only from our own entrepreneurial background but also from working with investors we know what metrics matter and how to uncover the insights that will actually drive growth and value for your business.

UNDERSTANDING BEHAVIOUR

We combine digital expertise with a deep understanding of human behaviour behind the data. Data shows you what is happening; we tell you why – and how you can turn it to your advantage.

Intro



YOUR HOSTS TODAY

Marian Cramers

Thomas Hirschmann

Director Global Network Agency Growth
Crimson Hexagon @MarianCramers

Founder | CEO Braingraph
@Sigmundsfreund



UNCERTAINTY



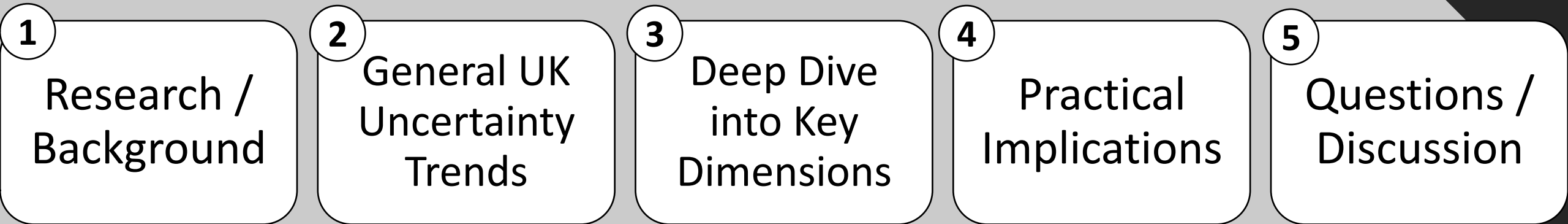
Please check: uncertainty.braingraph.com
for additional data and a live uncertainty tracker

Uncertainty



AGENDA

FLOW OF THIS WEBINAR



Uncertainty



RESEARCH / BACKGROUND

Relevance of uncertainty:

Based on psychological and neuroscientific research we will highlight the general relevance of uncertainty as a significant influence on human minds, markets and on society at large

1

Research /
Background

2

General UK
Uncertainty
Trends

3

Deep Dive
into Key
Dimensions

4

Practical
Implications

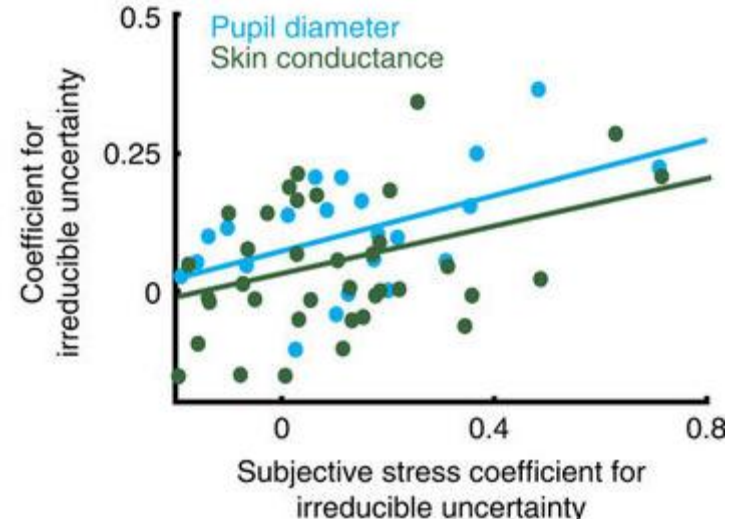
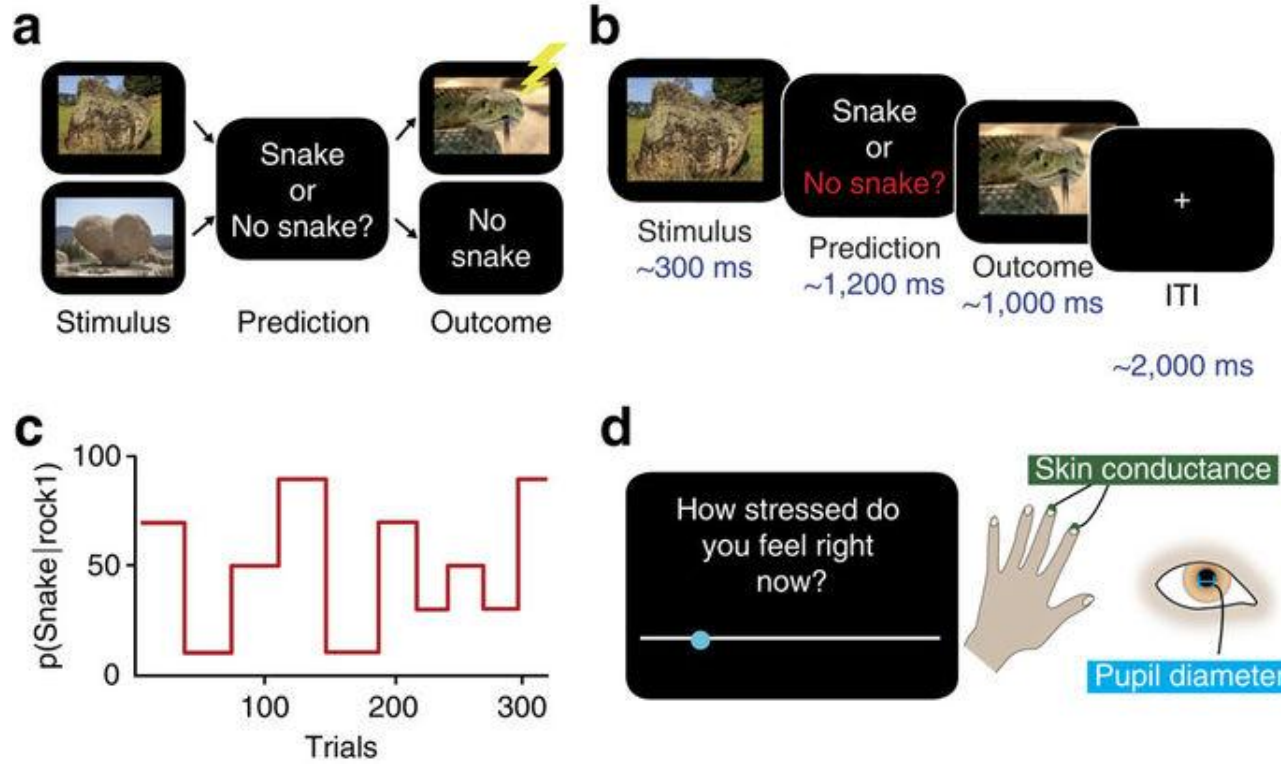
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Questions /
Discussion



1

HUMANS ARE HARDWIRED TO HATE UNCERTAINTY



De Berker et.al. (2016). Computations of uncertainty mediate acute stress responses in humans, <http://discovery.ucl.ac.uk/1479788/>

Experiment: understanding the relationship between uncertainty, stress and aversive learning
Methodology: measuring physiological and psychological stress correlates as a function of uncertainty
Result: stress response is greatest when uncertainty is highest - even higher than at certain negative outcome!

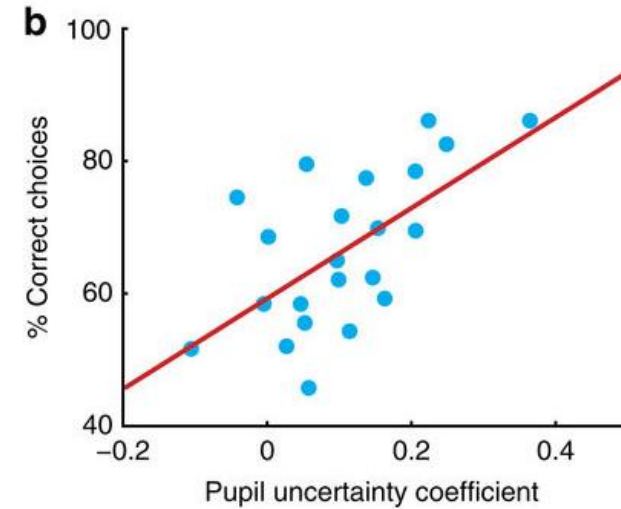


1

BUT UNCERTAINTY IS ALSO OUR BEST OPPORTUNITY TO LEARN



The Neuroscience of Creativity, Perception, and Confirmation Bias | Beau Lotto, <https://www.youtube.com/watch?v=vR2P5vW-nVc&spfreload=1>



Evolution: has enabled our brains to adapt to new situations - we are adapted to adapt

Learning: learning works best under uncertain conditions – i.e. when we are forced to re-evaluate the rules

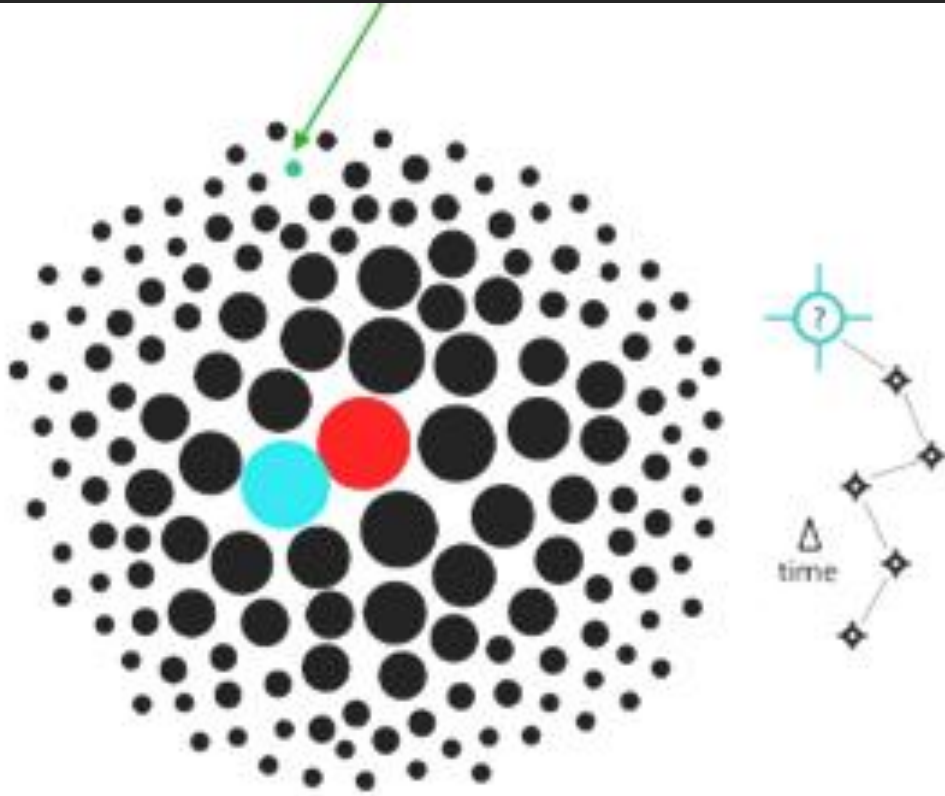
Creativity: in this situation we have the highest possibility to re-invent ourselves / super-adapt

Uncertainty - Research/Background



1

WHETHER WE CAN LEARN YET DEPENDS ON OUR CONTEXT



Context: is everything and defines how we perceive reality - our mind hasn't evolved for truth but for survival
Perception: is the result of our past experiences and our unconscious biases

Possibility: our possibility to adapt is limited by our (inter)subjectively accepted adjacent possible

Hibbing et.al.: Differences in negativity bias underlie variations in political ideology, [Behavioral and Brain Sciences](#)

Uncertainty



UNCERTAINTY TRENDS

General uncertainty trends in the UK:

Drawing on statistical as well as digital data we try to draw conclusive map of the current “landscape of uncertainty” in the UK

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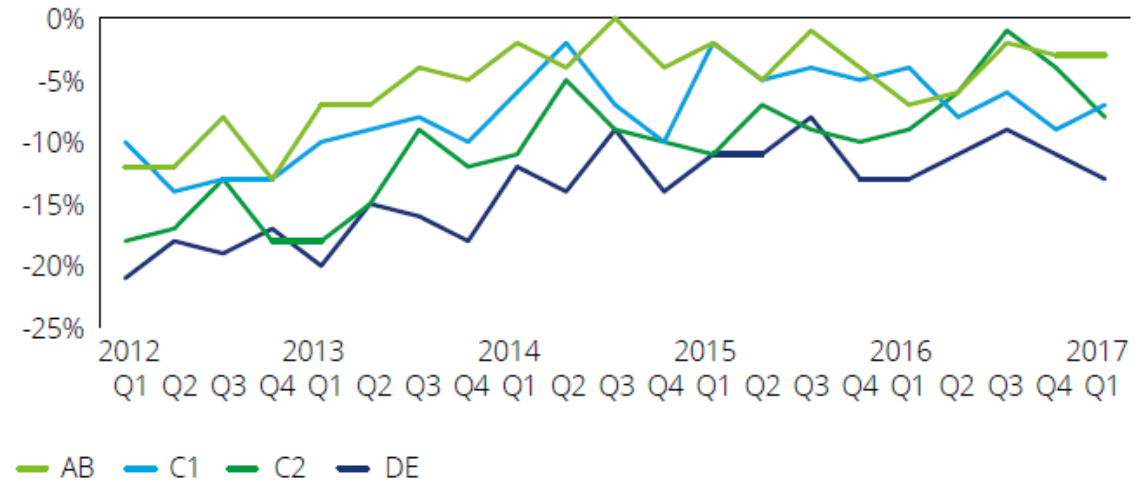
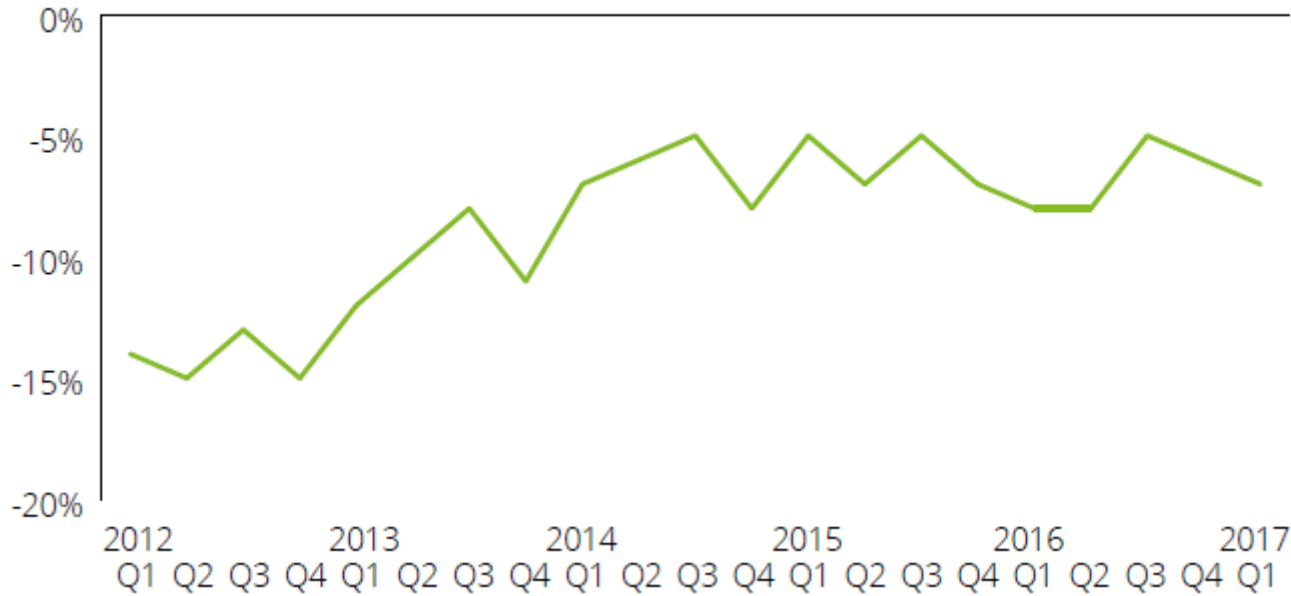
Questions /
Discussion



2

CONSUMER CONFIDENCE HAS DROPPED IN Q1 2017

Net % of UK consumers who said their level of confidence has improved in the past three months



Confidence: consumer confidence has dropped in Q1 2017, specifically for lower socioeconomic groups
Consequence: non-essential, discretionary and leisure spending has decreased

Deloitte Consumer Confidence Tracker 2017,
<https://www2.deloitte.com/>

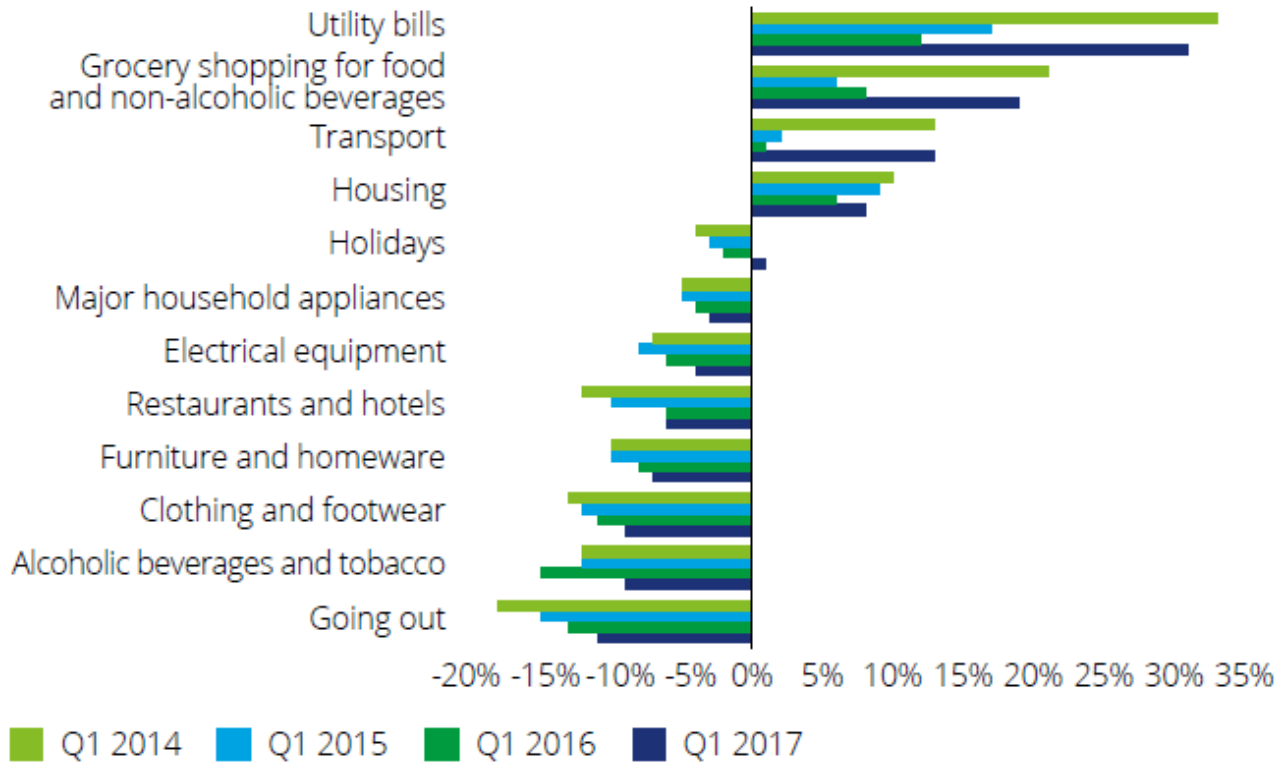
Uncertainty – Uncertainty trends



2

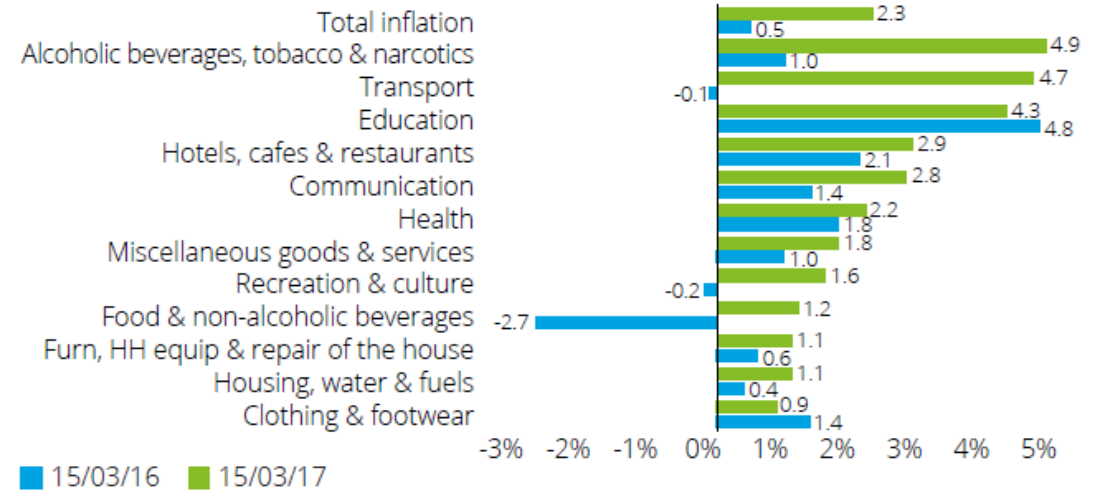
INFLATION IS DRIVING DECREASE IN NON-ESSENTIAL SPENDING

Net % UK consumers spending more by category



<https://www2.deloitte.com/>

% change year-on-year



Source: The Office for National Statistics (ONS)

Inflation: price inflation, specifically on alcohol, transport and education has been the reason for widespread decrease in disposable income

Consequence: consumer spending on everything non-essential has decreased

Uncertainty – Uncertainty trends



2

CONSUMER OUTLOOK FOR 2017 IS DIRE

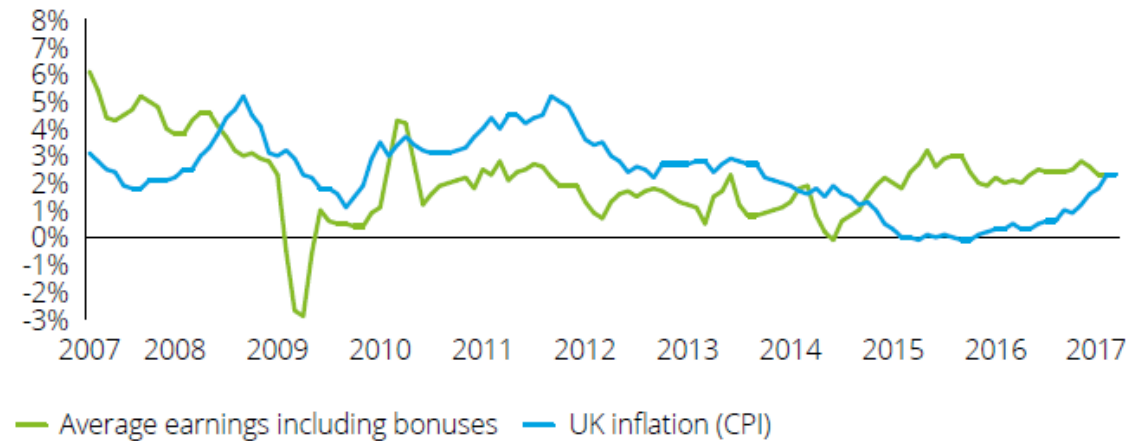
Now thinking about 2017...What, if anything, do you think will change compared to 2016? Please indicate whether each of the following areas are likely to increase, decrease or remain the same?

Net % of UK consumers who expect an increase (increase minus decrease)

Q1 2014 Q1 2015 Q1 2017

	Q1 2014	Q1 2015	Q1 2017	Difference since 2015
Prices of goods in supermarkets	63%	38%	70%	32 points
Your spending on utilities	43%	23%	43%	20 points
The taxes you pay	13%	9%	26%	17 points
Your spending on grocery shopping for food and non-alcoholic beverages	29%	15%	30%	15 points
The UK interest rates	29%	18%	26%	8 points
Your spending on transport	23%	13%	21%	8 points
Your housing expenditure	22%	19%	22%	3 points
Your level of debt	-12%	-15%	-14%	1 point
Your spending on non-essential categories	-7%	-2%	-3%	-1 point
The value of your property	30%	29%	27%	-2 points
Your income before tax	9%	9%	5%	-4 points
Your savings/investments	2%	10%	2%	-8 points
Your job security	NA	NA	-11%	NA

% change year-on-year



Source: Thomson Reuters DataStream

Inflation: is growing faster than average growth of salaries

Consequence: consumer outlook for 2017 is dire, specifically regarding spending on goods, utilities and taxes

<https://www2.deloitte.com/>

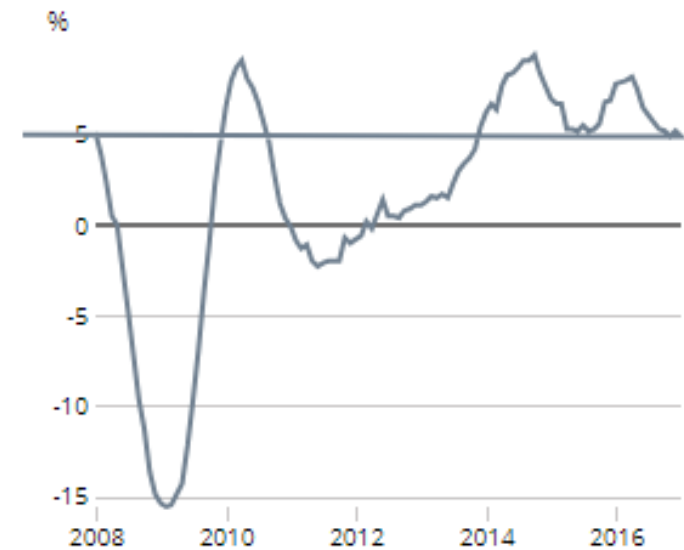


BUSINESS INVESTMENTS AND HOUSE PRICES ARE SLOWING

Business Investments QoQ Change in % (Source: ONS)



House Price Index, month on year



ONS,
<http://visual.ons.gov.uk/dashboard/>

Investment: seems to be also affected by general uncertainty

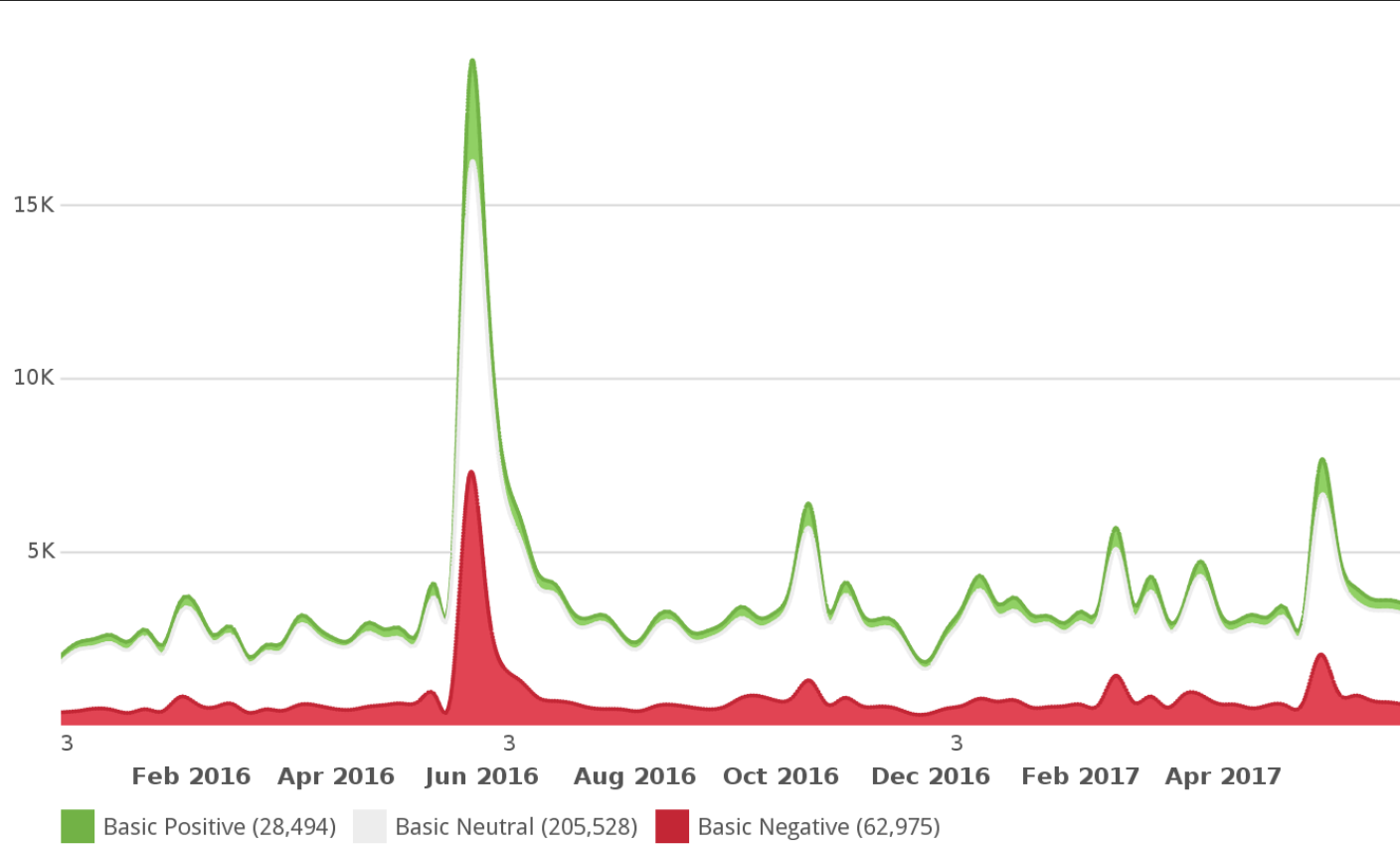
House Prices: even house prices have seen a slowing growth post EU Referendum

Uncertainty – Uncertainty trends

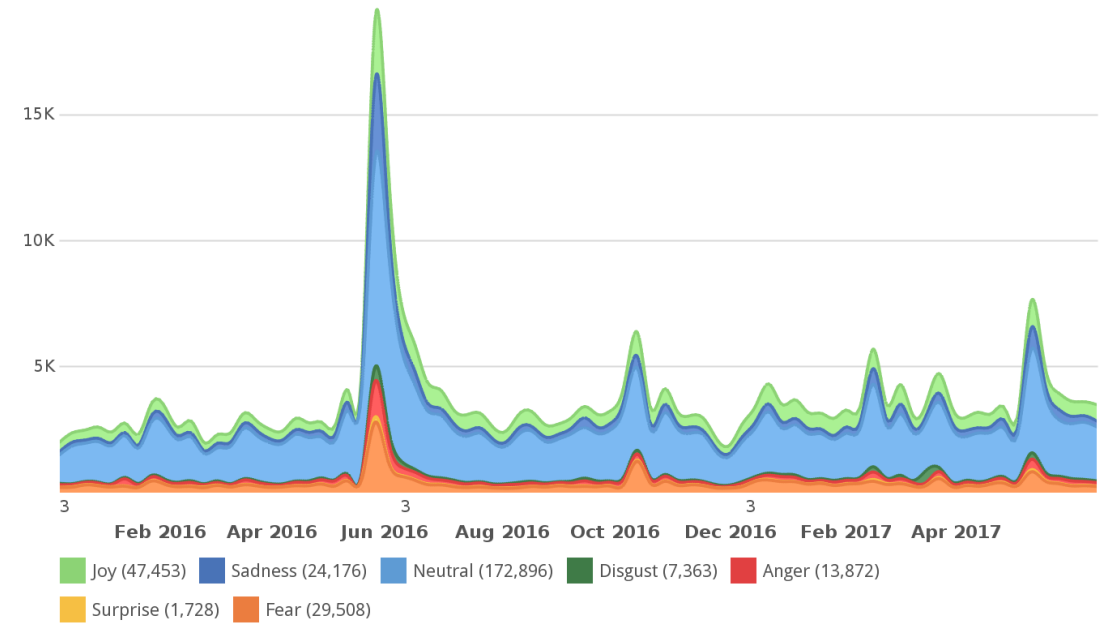


2

BREXIT – TRUMP – WESTMINSTER ATTACKS – SNAP ELECTION



Source: Crimson Hexagon, 2016-2017, UK, Twitter



Brexit: was by far the biggest driver of uncertainty apart from the US election and #GE2017
Fear: was the biggest emotional driver behind uncertainty related mentions on social media

Uncertainty



DEEP DIVE

Deep dive into key dimensions of uncertainty:

Using a framework of 7 key dimensions of uncertainty we are trying to identify the social key drivers behind UK's feeling of uncertainty by taking a closer look at mentions in each dimension

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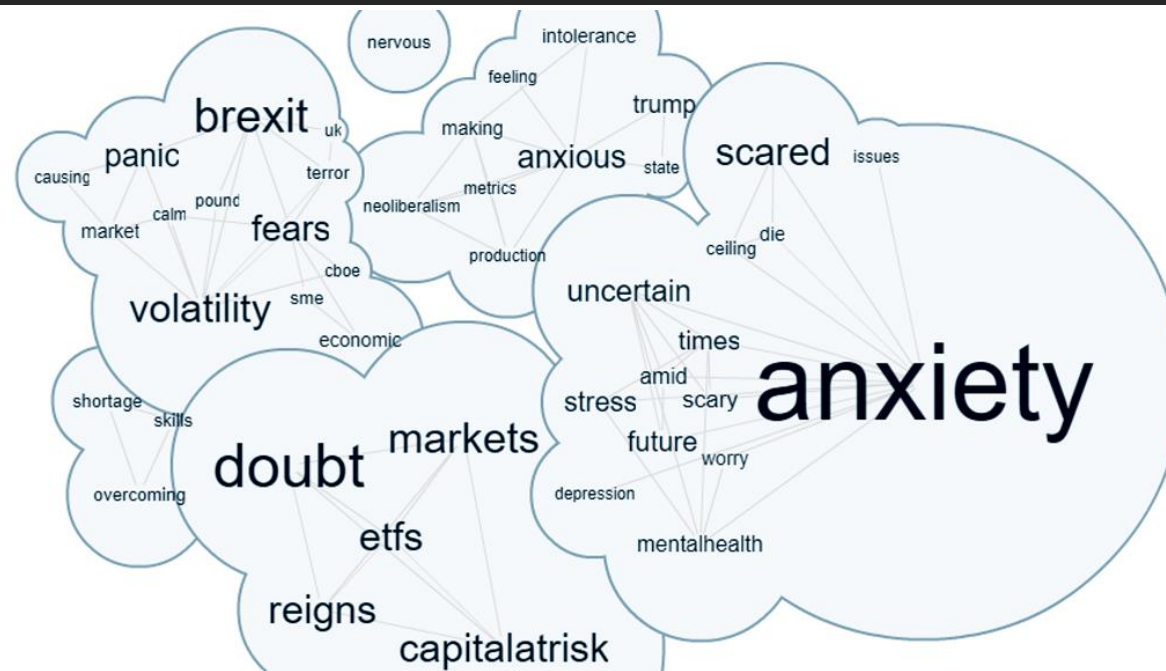
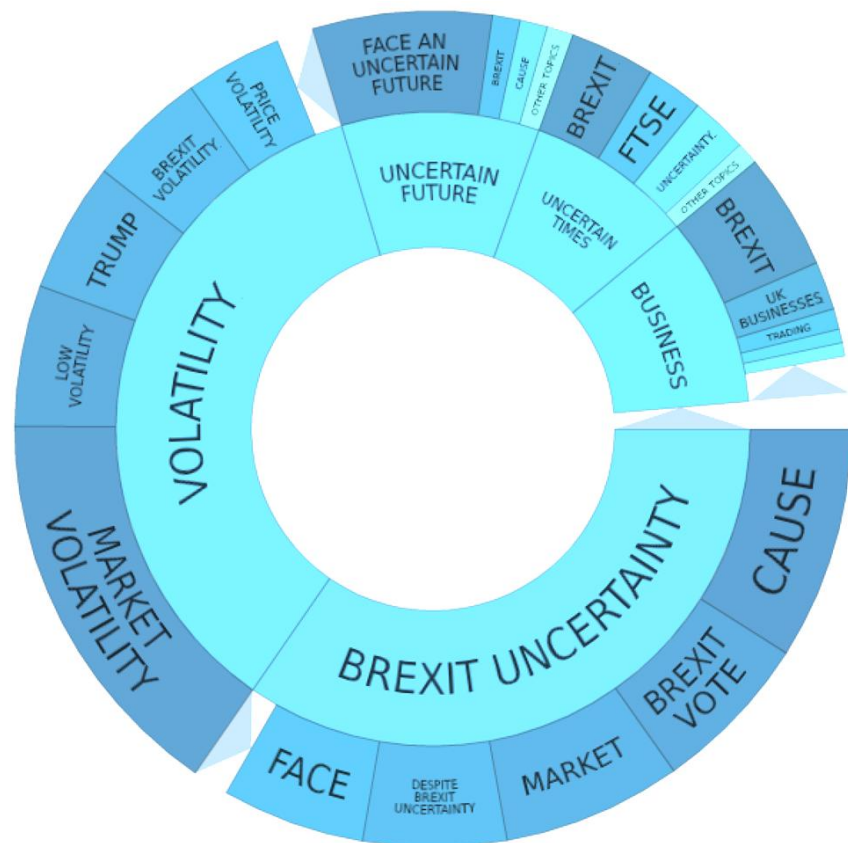
Questions /
Discussion

Uncertainty — Deep dive



BEYOND BREXIT ARE NOT JUST MARKET RISKS

3



Source: Crimson Hexagon, 2016-2017, UK, Twitter

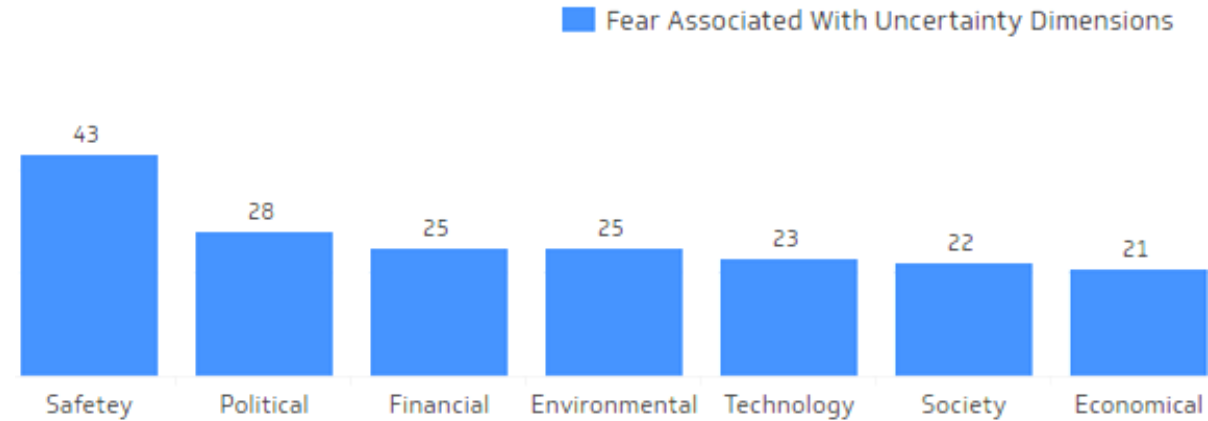
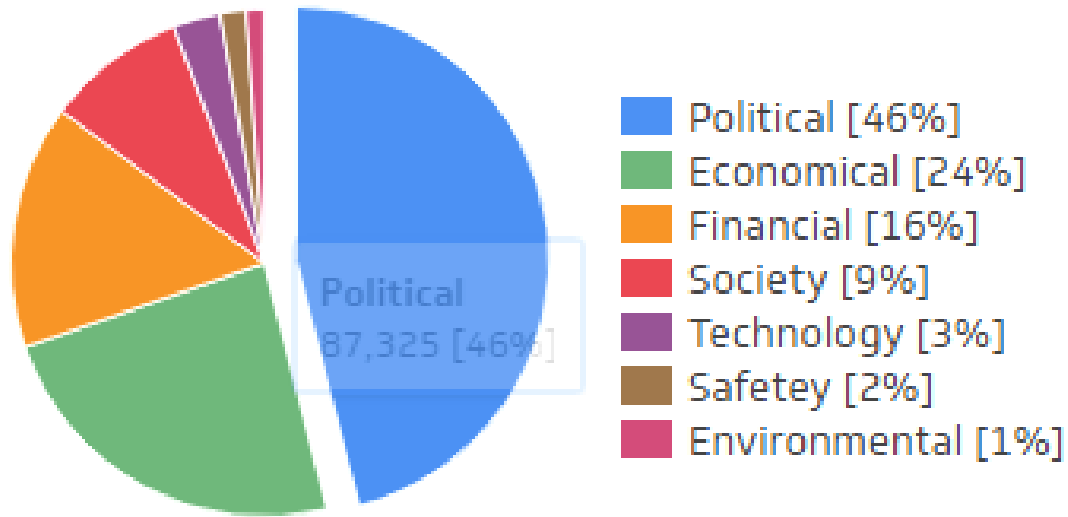
Beyond Brexit: once delving deeper into conversations we can see that behind Brexit is a huge fear of volatile markets

Anxiety: this economic uncertainty goes hand in hand with a broader fear about uncertainty, intolerance, neo-liberalism and further political issues



POLITICAL TOPICS ARE THE KEY DRIVER FOR UNCERTAINTY

Uncertainty Dimensions via Social Mentions 2016-2017 (Twitter, UK)



Politics: is the biggest topic discussed alongside uncertainty issues followed by economical and financial topics

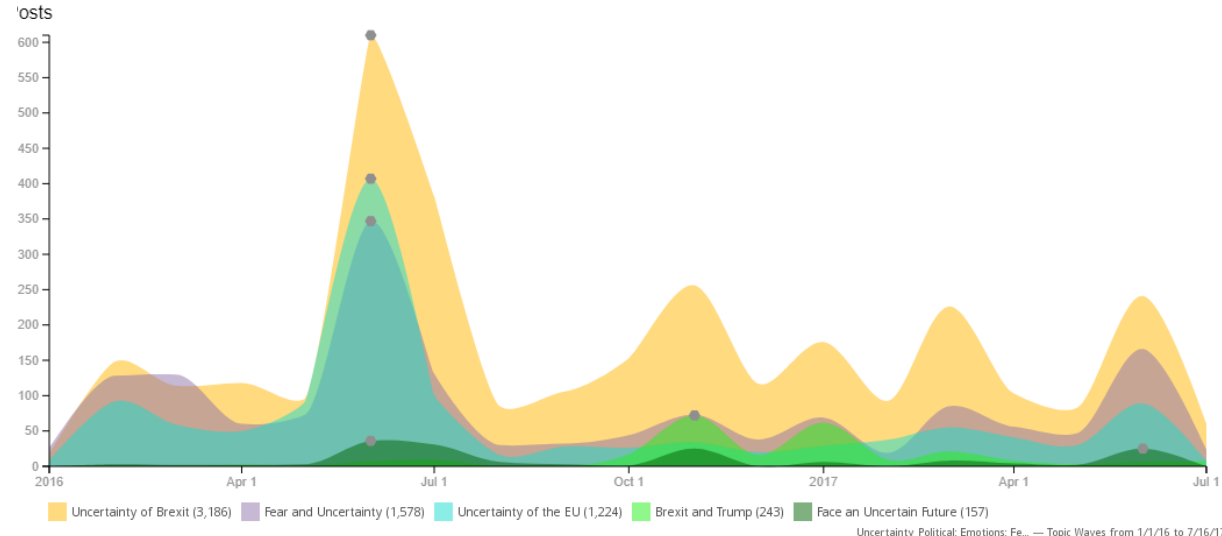
Safety: although only responsible for 2% of all (public) uncertainty conversations, safety/security is mainly driven by fear-related aspects

Source: Crimson Hexagon, 2016-2017, UK, Twitter



3

INTO POLITICS

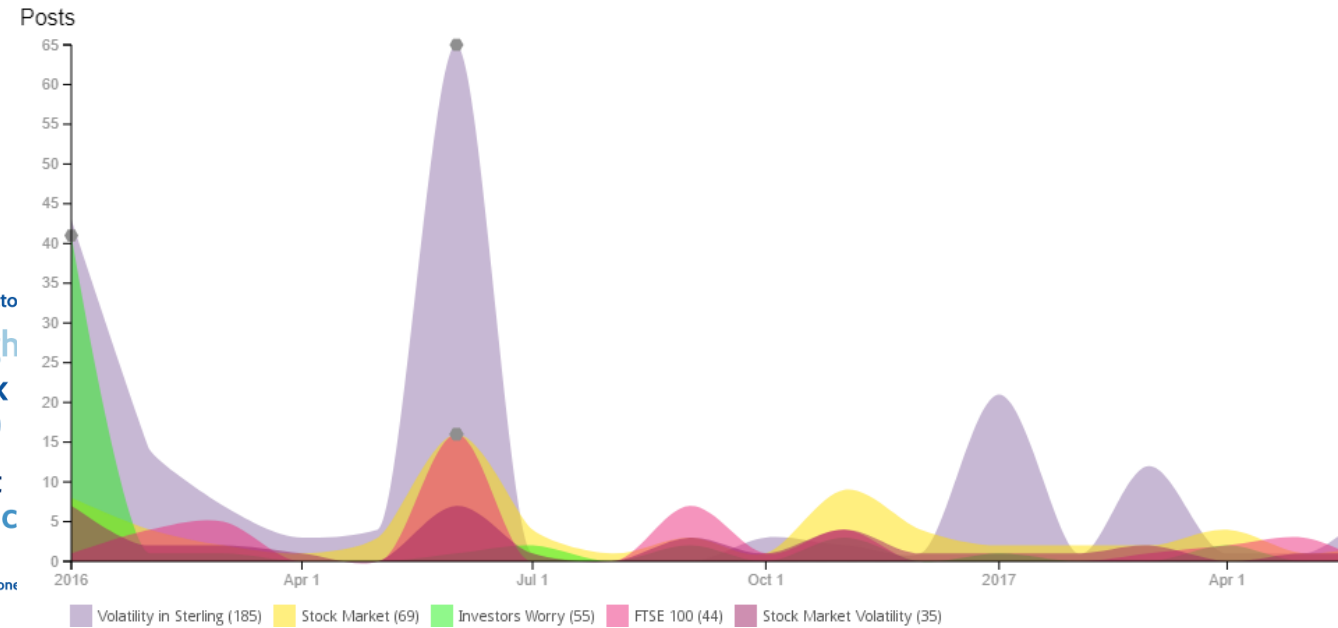


Source: Crimson Hexagon, 2016-2017, UK, Twitter

Uncertainty of Brexit: apart from Trump and fear of terror, the associated uncertainty of Brexit is the biggest driver of uncertainty within politics
Trump & terror: interestingly Trump trumps terror fears



INTO FINANCE



Market volatility: bankers and investors are mostly concerned about the volatility of stocks and the Sterling
Inflation & a weak Pound: are further topics visible in financial conversations

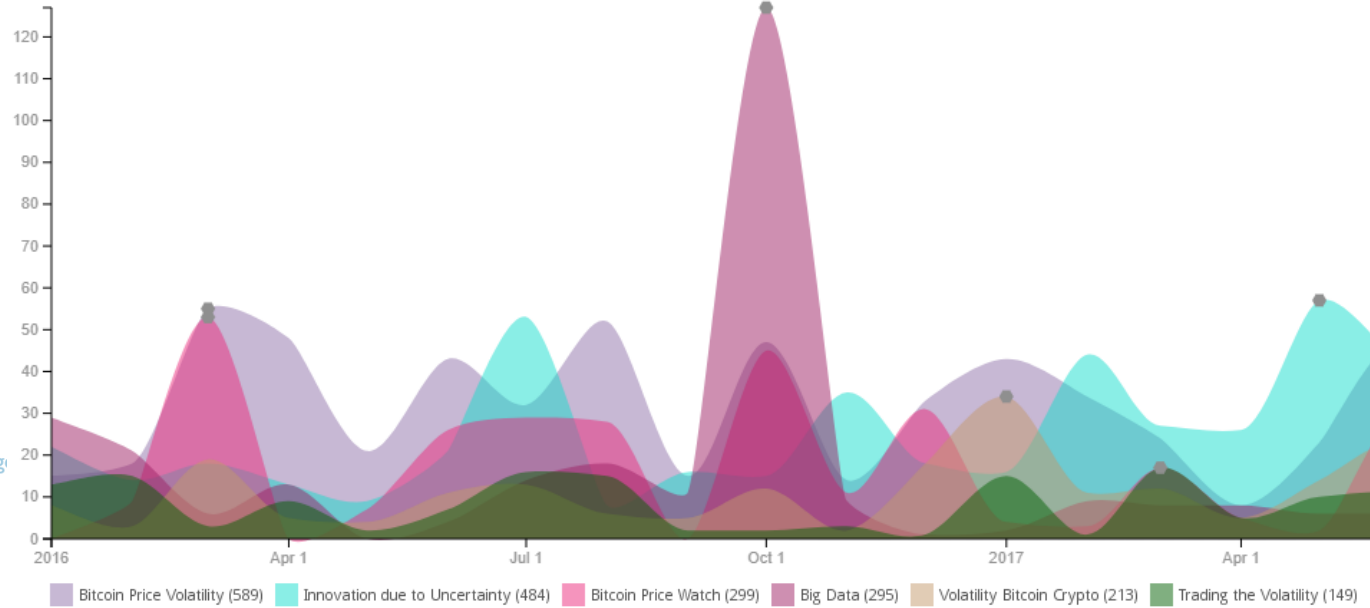
Source: Crimson Hexagon, 2016-2017, UK, Twitter



INTO TECHNOLOGY



Source: Crimson Hexagon, 2016-2017, UK, Twitter



Bitcoin: was talk of the town with regard to uncertainty due to its high market volatility

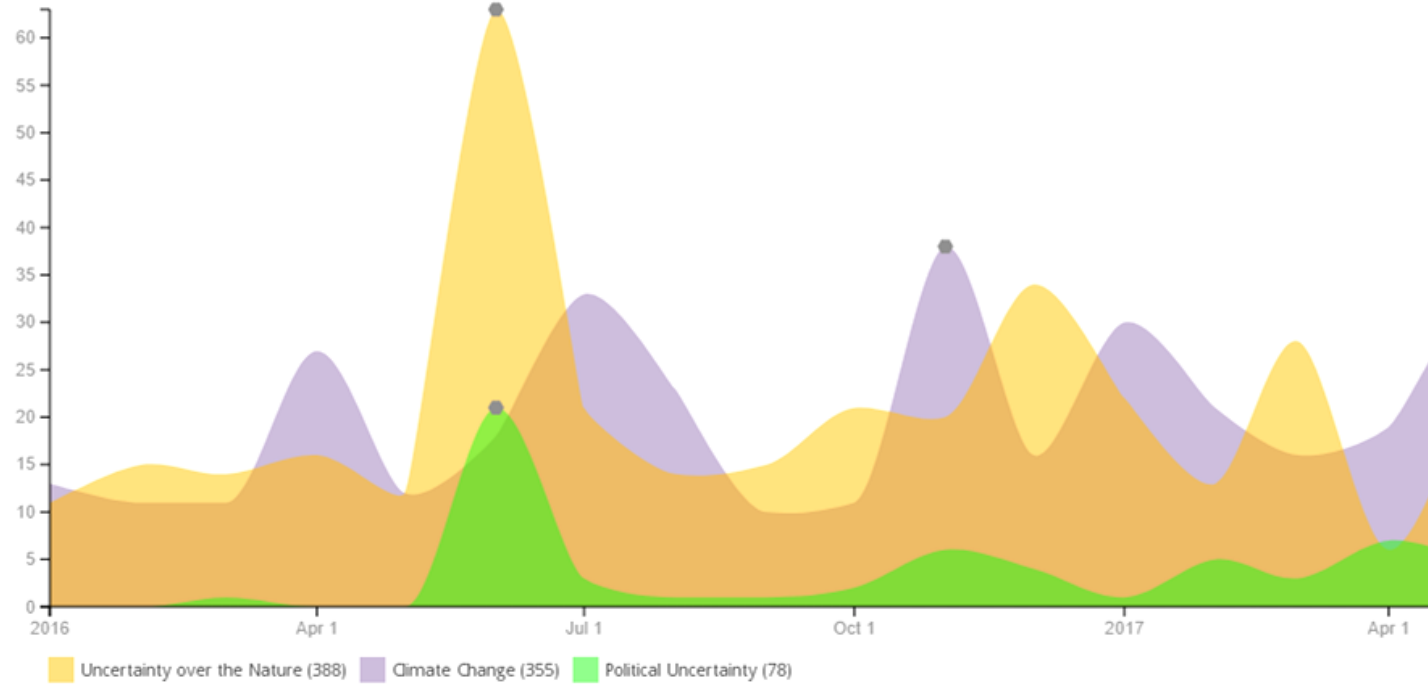
Big Data, #AI & Innovation: were the other big issues, the latter being especially interesting as innovation was linked to uncertainty



INTO ENVIRONMENTAL TOPICS



Source: Crimson Hexagon, 2016-2017, UK, Twitter



Climate change: was the big topic within environmental uncertainty conversations, not least because Donald Trump’s decision to abandon then Paris climate agreement

Sustainability as a goal in face of rapid changes was another eco topic

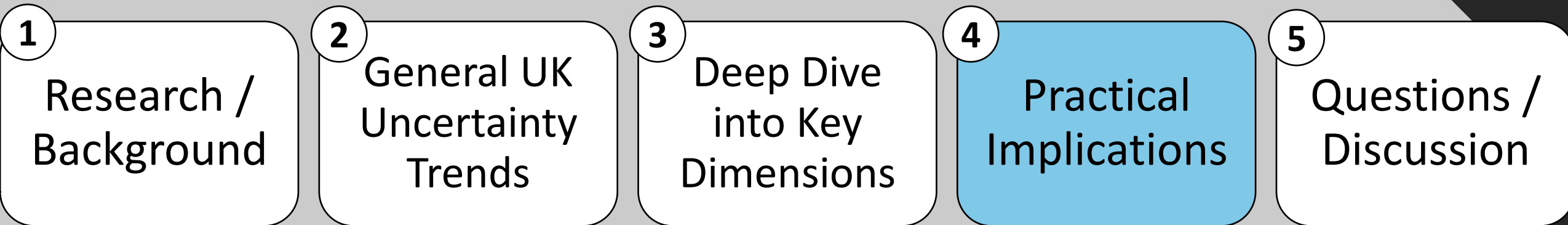
Uncertainty



PRACTICAL IMPLICATIONS

Practical implications of uncertainty:

Extracting the key insights from our deep dive across 7 key dimensions of uncertainty we are now attempting to identify practical implications for stakeholders across these dimensions





Ben Page, Ipsos MORI

@benatipsosmori

Follow



2017 election saw the biggest swing DURING an election campaign ever - uncertainty is the new normal

Success is not final, failure is not fatal: it is the courage to continue that counts. -

Winston Churchill

Change is constant and the new normal is uncertainty.

The biggest leadership skill needed now and into the future is the ability to navigate ongoing disruptions and that requires 'courage'.

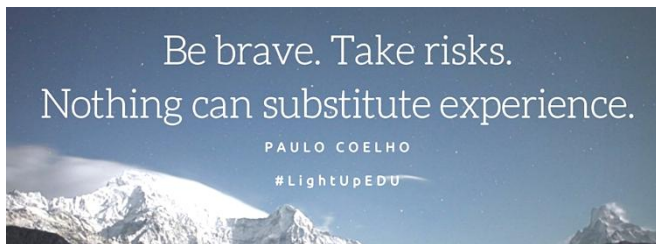
The courage to evolve.

Source: Twitter, LinkedIn

1. **Uncertainty is the new normal** – the faster we adapt to the new pace of change, the more successful we are going to be and the less energy we will waste on trying to hold on to outdated rules and principles of less volatile times.
2. **Take courage / lead with courage** – “In doubtful matters boldness is everything.” -Publilius Syrus was right back then and now, especially in times of uncertainty people are looking for a strong leader, with all the downside that potentially comes with it as we can see case in point with Donald Trump and other strong historic leader personalities. This also highlights the importance of responsibility and moral authority during uncertain times.



ADAPT TO BE MORE ADAPTIVE – IN THE FACE OF RAPID CHANGE

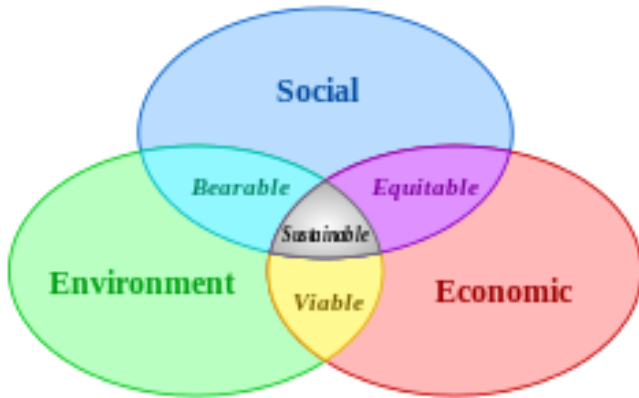


3. **Keep calm and be yourself** – the more stressful and tumultuous the environment is, the more important it is, both individually as well as professionals, to stay calm and considerate with regard to the decisions and actions we take.
4. **Take deliberate risks** – the risk level around has been turned up without us touching the dial. Therefore we might as well adapt to the riskier environment. But not by avoiding all risks at all cost but by taking risks in an intelligent way: we can spread our bets with small, rapid experiments in order to adapt to complex problems with rapid adaptive learning strategies: adapt for adaptability! <https://t.co/gGW31xKE8Q>

Source: Twitter, LinkedIn



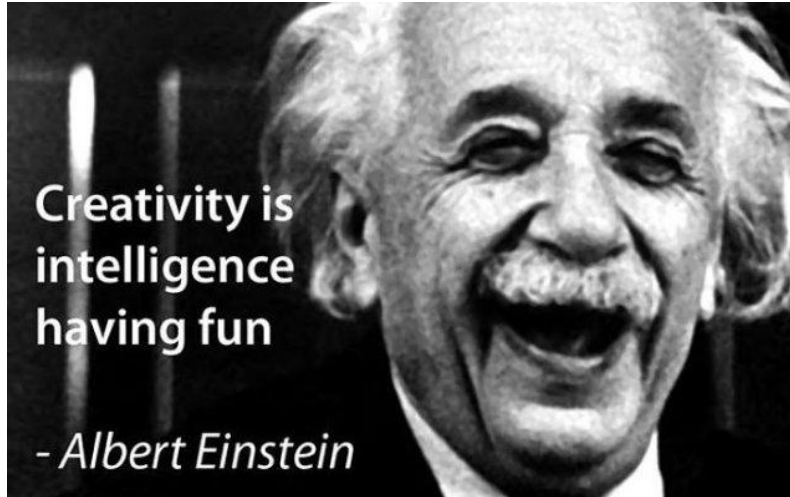
ADAPT TO BE MORE ADAPTIVE – IN THE FACE OF RAPID CHANGE



5. **Use uncertainty as a catalyst** – knowing that times will change anyway, we might as well use the change for the better and start to work into the right direction, adopting more long term and sustainable strategies. Let's use uncertainty as a catalyst for sustainable innovation: <https://t.co/GTiBoMaca3>
6. **Use resilient business strategies** – knowing that we sometimes we can't predict the future it is best to use strategies that build on basic building blocks of human behaviour that we can rely on with high likelihood. The following business strategies can also help: 1. Use analytic techniques that don't require high accuracy. 2. Prepare for multiple outcomes. 3. Find and rely on the predictable elements of the situation. 4. Focus your evaluation of initiatives on the inputs, not just the outputs. 5. Remain agile, and strive to respond quickly. 6. Cultivate your reputation for extreme trust. More: <http://bit.ly/2rsOKzq>



ADAPT TO BE MORE ADAPTIVE – IN THE FACE OF RAPID CHANGE



5. **Have fun and play** – because that is the first prerequisite for creativity. So you might as well enjoy the challenge!



“The creation of something new is not accomplished by the intellect, but by the **PLAY** instinct arising from inner necessity. The creative mind plays with the object it loves.”

– Carl Jung

Uncertainty



PRACTICAL IMPLICATIONS

Discussion:

After this tour de force through key dimensions of uncertainty and an analysis of their main drivers we are now trying to summarise key findings and opening up for questions and discussion

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SUMMARY: KEY INSIGHTS

General uncertainty in the UK: consumers spend less on non-essential goods and services, business investment is slowing, inflation is cutting into the disposable income of especially the lower socioeconomic groups in the UK. After the EU Referendum, the US presidential election, several terror incidents and snap election with a surprising swing vote, the UK has arrived at a state of „**normal uncertainty**“ where unforeseen incidents are accepted as “the **new normality**“.

Politics: Brexit is still uncertainty factor number one but given the length and complexity of the negotiations there might be several options along the road to soften / optimise the outcome for everyone instead of pressing for a „Hard Brexit“

Finance: Market volatility, inflation and a weak Pound are the key concerns in finance – alongside with overlapping Brexit fears related to business and banking having to move to Paris or Frankfurt to continue to trade.

Economy: Jobs, business and consumer confidence are on top of the uncertainty agenda for economic topics. The best outcome for the economy at the moment would paradoxically be businesses ignoring the uncertainty.

Social Topics: With regard to social topics, uncertainty is mostly impacting aspects of housing, education, the NHS and care systems. Interestingly the last GE2017 election has put many of these social issues to the forefront.

Safety: Unfortunately the UK has seen too many terror incidents this year for anyone to be able to simply forget them. However, the relatively small amount of mentions in this category leads us to assume that it is not really a „big issue“

Technology: Bitcoin was talk of the town for the last weeks alongside AI, Big Data and general aspects of how to harness innovation by way of embracing uncertainty. The latter could be a general „way out“ of the uncertainty issue for the UK.

Environment: Unfortunately the environment seems to come last when it comes to uncertainty issues. Hopefully this does not mean that the UK society will forget that all of their rich and diverse lifestyle hinges on clean water, clean soil and air.

Uncertainty in the UK



SUMMARY: PRACTICAL IMPLICATIONS

Adaptive adpativity

Change is the new normal, we have to embrace it

Lead with courage but with moral responsibility

Be bold and unafraid in the face of change. Be yourself!

Deliberate Risk-Taking

Take many small deliberate risks

Be quick with your experiments for rapid learning & adaptation

Hedge your bets, try out many different options

Uncertainty as a Catalyst

Things change, they might as well for the better!

Align your short-term needs with your long term goals

Aim for sustainability in all your activities

Have Fun & Be Creative

Learning does not happen by using your intellect alone. Trust your creativity

Have fun and enjoy yourself. The one thing that is certain is our time is limited. We might as well enjoy it



Thank You!

PLEASE STAY IN TOUCH



MARIAN CRAMERS

Director Global Network Agency Growth



THOMAS HIRSCHMANN

CEO | FOUNDER



Say hello@braingraph.com