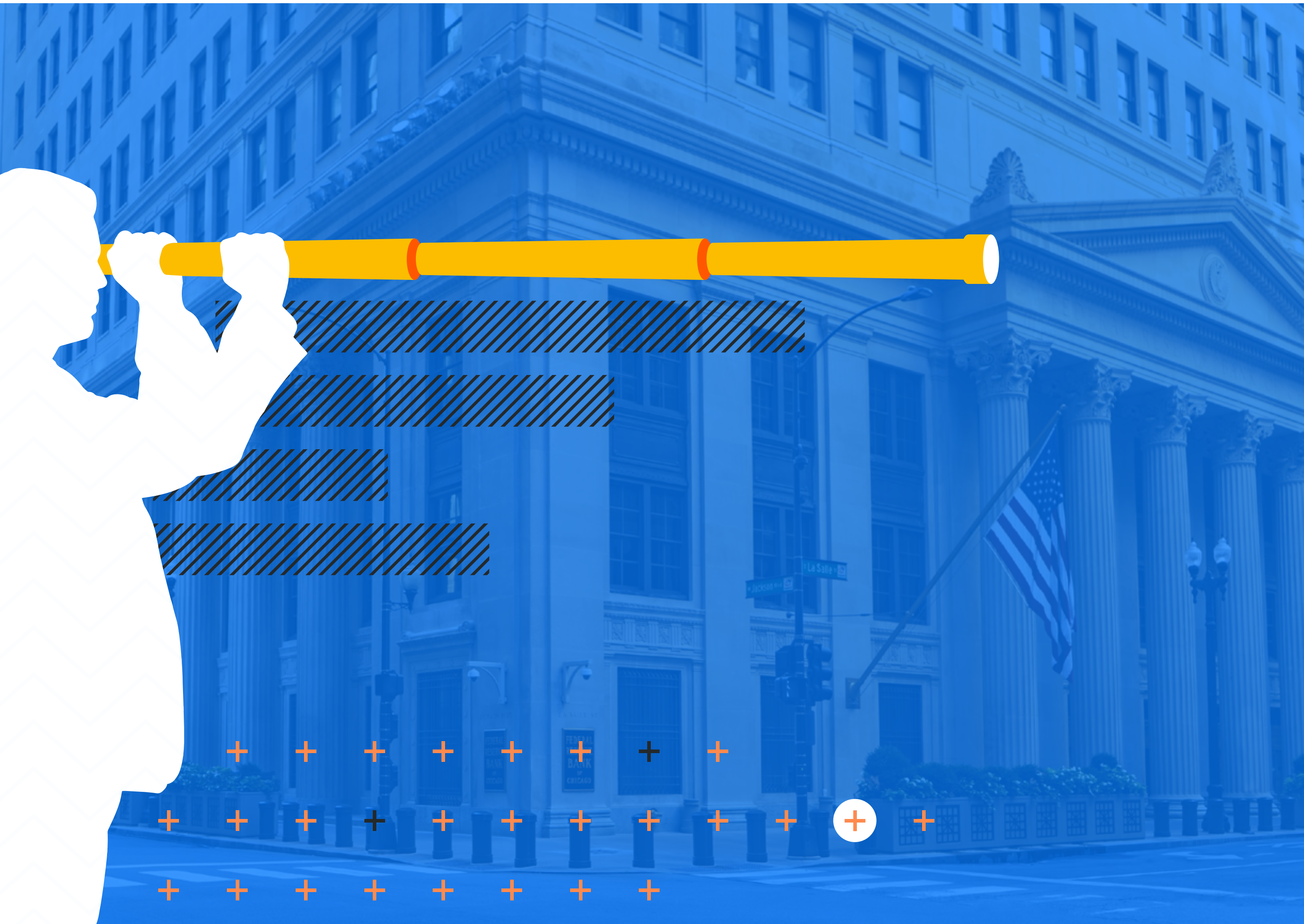
A Prevedere Report

Leveraging External Data to Maximize Revenue During the Recession



Leveraging External Data to Maximize Revenue During the Recession

The Prevedere economist team forecasts that the U.S. economy will probably hit a recession in the third quarter of this year. While many companies have already felt the impact of the volatile market, this further downtown will exacerbate the challenges businesses face and have a greater influence on the revenue of more companies. This trend will likely continue into 2024.

Unlike the previous recessions that occurred in the last 20 years, there is a feeling of a slow burn and many unusual conflicting economic indicators. This has led to additional confusion in the marketplace as some signals for economic improvements have turned out to be “false positives.” This downturn will prove to be uneven across the economy and impact different industries and companies in different ways and at different times.

In order for companies to successfully navigate this recession, **timing is everything.**

The key for executives at any company to maximize revenue during the recession will be to improve their ability to forecast when market trends will impact their business, and have enough time to shift their plans accordingly. This starts with identifying the economic data that serves as a company’s business drivers and building the right models around that data to forecast the changing conditions that have historically impacted the potential for revenue.

Once this system has been developed, CFOs and FP&A teams must monitor for four key occurrences to appear on the horizon in order to maximize revenue during the next economic cycles:

The *Recession* Inflection Point

As a result of the uneven nature of this recession, the downturn will impact companies in different ways. This means that executives will not be able to use larger market swings or industry trends as bellwethers for identifying the timing of when sales might start to slow, or even see a sudden increase in that trajectory.

The Recession Inflection Point is the moment in time when a business will be truly impacted by the downturn and start to see significant changes in consumer spending and revenue. The ability to forecast this specific point for their individual company will be key for leaders to successfully navigate the recession and maximize revenue potential as opportunities become more limited. If a company is not ready for this moment, it could result in significant losses throughout the recession and impair its ability to regrow revenue once the business cycle starts to recover.

The *Recovery* Inflection Point

As the economy will not be in a recession forever, the result of misjudging the timing for market recovery could cost a company more than a billion dollars:

- If recovery is forecasted too early, a company could waste significant investments on inventory that isn’t selling and media spending to consumers that aren’t ready to start spending yet, among many other expenses.
- But, if the forecast for recovery is late, a company will miss the initial timing to sell to consumers at the moment they have the desire to return to normalized buying habits. No company can afford to begin the recovery period trailing its competitors.

Just as every company will have a unique juncture for recession, it is imperative for business leaders to correctly forecast their company's Recovery Inflection Point, the moment that the market trends are ripe for their company to capitalize on economic recovery. If this timing is appropriate forecasting, then there should be sufficient time for executives to plan and make the appropriate investments so that their company can reach its maximum revenue potential in this critical moment that will be analyzed by shareholders and the investment community.

Emerging Growth Opportunities

When markets shift, new opportunities are created...even during recessions. Given the uneven nature of this economic downturn, there should be expectations that growth opportunities can quickly emerge for many companies.

But in order to capitalize on a new growth opportunity, a company must be able to identify its emergence and forecast the timing with enough time to pivot and execute new plans. This is one of the most effective ways that FP&A teams can leverage external data. The appropriate economic indicators, which serve as a company's business drivers should be monitored in real-time to identify market shifts, adjusted consumer behaviors, or other new patterns that may create new potential revenue streams for a company. If executed correctly, the forecast should provide executives with ample time to successfully maximize new revenue.

While this practice can be relevant in any market, the revenue created by a new opportunity can be a game changer for a company that might be experiencing a lull in sales due to the recession.

New Blind Spots

While new growth opportunities can emerge as a result of economic volatility, blind spots are just as likely to be created especially as market swings become more rapid and consumers adjust to new conditions. This added risk can blindside a company's leadership team in the moments when a company is most exposed to the market. This commonly happens at times when executives are primarily focused on navigating their core business through the immediate challenges that are being presented in real-time. As a result, there is a failure to monitor the entire market or identify an event that will significantly impact a company.

It is inevitable that many executives will experience pivotal moments for their company in the next year, in which they will need to keep their focus on the best immediate opportunities to grow revenue and mitigate the loss of sales. Business leaders must leverage external economic data to create an early warning system that can signal the emergence of any new risk on the horizon and call their attention to mitigating potential disasters.

Conclusion

It was nearly impossible for companies to process the necessary data in order accurately forecast the impact of market shifts during previous recessions. The volatility was simply too rapid and the data could not be inputted or processed nearly fast enough to provide the correct insights. But now, the emergence of AI and the ability to collect real-time economic data has given executives the tools they need to navigate volatile markets. This can be the true difference in successfully leading their company through the recession.

Grow profitability during a recession with precise planning.

"Prevedere has a unique combination of data sources and a modeling approach to predictive planning. Add to this economic expertise and services — and you have a powerful elixir for more precise planning and strategy..."

– Gartner report on Emerging Technologies

Schedule a Strategy Call

The Prevedere Advanced Predictive Planning platform is a patented, market-leading AI/ML technology for identifying relevant external factors, creating forward-looking predictive models, enabling "what-if" analysis of potential future conditions, and monitoring for future market shifts.

Learn more at https://prevedere.com/schedule-demo/

Prevedere provides Fortune 500 companies the competitive advantage of knowing when to expect downturns or upturns in the economy, allowing CFOs to change course with confidence and foresight.

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