

# **SUPER CRUNCHERS**

## **Why Thinking-By-Numbers Is The New Way To Be Smart**

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The Web site for this book is at [www.supercrunchers.com](http://www.supercrunchers.com).

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**MAIN IDEA**

Something is changing. In field after field of commercial activity, the number crunchers are starting to consistently outperform the experts. Those who rely on their intuition to make good decisions are now starting to get left behind by a new breed of number crunchers on steroids – called Super Crunchers – who mine huge databases to reveal underlying relationships which the grizzled veterans never even knew existed. And this sea change is setting off debates and controversies all over the business spectrum.

This modern version of man-versus-machine or perhaps more accurately equation-versus-expertise is no less lively than the historic horse-versus-locomotive competitions of the past. For example:

- In medicine, there is a raging controversy over whether “evidence-based medicine” actually works.
- The wine industry is debating vigorously whether machines can reduce what it takes to make a great wine to a formula.
- In professional sports, data-based analysis is rapidly replacing the more traditional system of sending out talent scouts.
- Rental car companies are now refusing to rent to people with poor credit histories because they are more likely to have an accident.
- When airlines cancel flights, they give the next available seats not to their frequent fliers but to their most profitable customers.
- Internet sites like Google and Amazon have so much data they probably know your tastes better than you do.
- It’s now possible to use the Internet to forecast whether the price of an airline ticket will rise or fall if you wait to buy.

Overall, something noteworthy is going on. Super crunchers have all the answers even before we know what questions to ask. This is creating what is literally a brave new world for commerce. The role and influence of the experts is diminishing while the scope and impact of the large scale number crunchers climbs steadily. As scary as that may sound at first, rather than creating solely negative consequences this is actually an era of impressive opportunities. While this transition is proceeding, those who have a foot in both camps – who know how to astutely use statistical methods when appropriate and intuition at other times – will find this transition creates some impressive opportunities to get ahead. The real challenge is to get on trend and position yourself advantageously for the future rather than hoping this is just a passing business fad.

*“What is Super Crunching? It is statistical analysis that impacts real-world decisions. Super Crunching predictions usually bring together some combination of size, speed and scale. The sizes of the databases are really big – both in the number of observations and in the number of variables. The speed of the analysis is increasing. We often witness the real-time crunching of numbers as the data comes hot off the press. And the scale of the impact is sometimes truly huge. This isn’t a bunch of egghead academics cranking out provocative journal articles. Super Crunching is done by and for decision makers who are looking for a better way to do things.”*

– Ian Ayres

**1. What is “super crunching”?** . . . . . Pages 2 - 3

Super crunching is a form of digital decision making. Instead of relying on human intuition or expertise, super crunchers analyze massive databases of information to predict how things are statistically likely to turn out and therefore what decisions have the greatest likelihood of success. In field after field, number crunching is changing the way real world decisions get made.

**2. How is super crunching currently being used?** . . . . . Pages 4 - 5

Super crunching is not just for the world of commerce. It’s techniques and benefits are now starting to filter into politics and medicine where evidence-based medicine is a highly controversial topic of debate. Super crunching can even be applied to the question researchers have debated for decades – What’s more accurate, super crunchers or traditional experts?

**3. Why is super crunching spreading now?** . . . . . Page 6

Super crunching is coming to prominence right now because for the first time in history the majority of the information that gets created every day is in digital format. Electronic records now detail everything from what we buy in a supermarket to what we are writing to our friends in private e-mails. This shift from handwritten to digital is accelerating the rise of super crunching.

**4. Who wins and who loses in a super cruncher world?** . . . . . Page 7

As super crunching becomes more widely used, the status and respectability of many traditional jobs are being eroded. Instead of being paid to exercise judgement, many more people will simply be plugging data into an expert system and then doing whatever the software dictates. That means some changes will need to be made at the personal level. After all, if you try and ignore super crunching and hope it just goes away, your chances of success are virtually zero. Instead of sticking your head in the sand, a better idea is to get on board with super crunching and become an active participant in the coming revolution. This is the only way to get ahead of the curve.

**5. What is the future of super crunching?** . . . . . Page 8

There is no question super crunching is going to spread throughout the entire commercial world. It just has too many competitive advantages for that not to happen. Therefore, the smart thing to do is to become an active participant in the revolution yourself. Don’t try and stem the incoming tide and hope it will miss you by. Instead, as the cliché goes, make the trend your friend. Get up to speed with the basic tools of super crunching and find ways to use them to your own advantage. The future of super crunching is bright so hitch your wagon to its star.

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