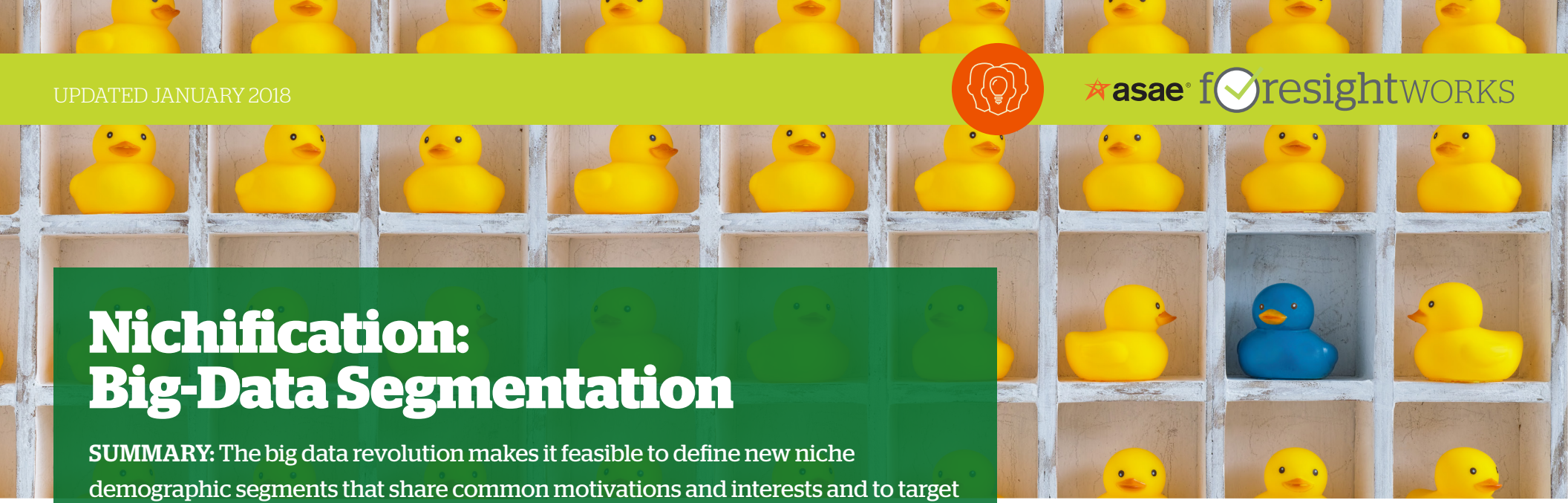

Nichification: Big-Data Segmentation

SUMMARY: The big data revolution makes it feasible to define new niche demographic segments that share common motivations and interests and to target them with tailored and tested appeals. Associations will be able to communicate to and even predict the interests of very specific segments but will run the risk of limiting broader audience awareness of content and messaging.

Forecasts

- Nichification will enable real-time, contextualized targeting, including location-based marketing, need-based marketing, and marketing informed by past purchases.
- Nichification will be based on attitudes, values, and identity in addition to demographic and lifestage segmentation.
- Big data will make it possible to continuously update the characteristics of a segment and forecast how its needs may evolve.
- Traditional marketing segmentation may ultimately give way to individualized customer communication based on predictive analytics. Big data nichification ("extreme segmentation") is a step along this journey.
- Nichification could lead to algorithmic consumption and lifestyle guidance, resulting in greater separation between groups and gradual "algorithmic tribalization."
- Nichification risks intensifying the isolation of groups of people into self-contained "bubbles" and perpetuating unintentional discrimination.

Key Uncertainties

Attitudes about privacy and control of personal data, exemplified by the recent backlash against corporate access to individual online history

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Extent of desire to escape targeting

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Resistance to being algorithmically shaped and guided

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Ability to effectively reach identified niches and deliver on identified needs

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Potential backlash against real or perceived discrimination

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Supporting Trends

- **Predictive analytics.** Companies are adopting predictive analytics to turn their data into anticipatory knowledge.
- **Algorithmic microtargeting.** Social media platforms can increasingly deliver customized and personalized marketing appeals.
- **Big data changing marketing.** More effective use of big data will support a wide variety of new marketing capabilities.
- **Markets of one.** The "long tail" continues to stretch as customers increasingly expect highly tailored products, services, and experiences.
- **Marketing gets personal.** Big data and data analytics will enable new levels of personalization in marketing.
- **Anticipatory ambient intelligence.** Ambient intelligence may lead to systems anticipating consumers' needs in every aspect of life.
- **From big data to fast data.** Increasingly, the value from big data is coming from the immediacy of the decision making.
- **Location-based services.** Technology that offers services on the basis of the user's location and needs will continue to grow.
- **Blockbusters.** Despite the democratization of production and proliferation of offerings in the entertainment industry, the most popular offerings garner an increasing share of sales.

Related Drivers of Change

- Personalized Artificial Intelligence
- Fast Data
- Anticipatory Intelligence
- Algorithmic Politics
- The Splintered Society

Notable Data Points

SOCIAL MEDIA USE

As of 2015,
65% of U.S. adults used social media,
up from just 7% in 2005.

Source: Pew Research Center

A MOVE TO SOCIAL

Marketers are investing in social media to target niches and broadcast widely—
social ad spend is projected to hit $41 billion in 2017,
compared to $17.85 billion in 2014.

Source: Marketing Dive

AD BLOCKING

eMarketer forecasts that
86.6 million Americans will use ad blocking software
at least once a month in 2017,
up 24% from the previous year.

Source: eMarketer

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Strategic Insights

- Nichification enables organizations to move beyond targeting traditional demographics and to devise tailored and tested appeals to customers or members.
- Relevant applications of nichification include
  - identifying potential new members
  - identifying member segments with particular needs
  - finely targeting marketing
  - hiring to meet specific, specialized needs
  - engaging and mobilizing members who are passionate about particular causes or issues.
- Nichification strategies will require robust in-house or third-party data acquisition and analysis capabilities.
- Organizations will need to find the appropriate balance between respecting privacy expectations and using data to personalize interactions with members.
- Customizing communication to ever narrower member segments could make it more difficult to maintain a coherent brand and organizational identity.

Timing

- **Stage:** Growth, extending a decades-old, ongoing segmentation process
- **Speed:** Rapidly spreading in for-profit marketing, though many programs are in their infancy

Potential Alternative Futures

- **Isolation:** Relentless targeted marketing leaves individuals feeling trapped and isolated in their niches.
- **Suspicion:** Backlash against real and perceived algorithmic discrimination leads consumers to be suspicious of targeted marketing appeals or to reject them outright.
- **Crossing boundaries:** A counter-movement seeks to gain creative, communication, and empathy advantages by mixing people across niche borders.
- **Division:** Unintentional amplification of differences among people divides previously unified groups, e.g., advocacy groups and political parties.

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Take Action

- **Mine the data to discover opportunities for new growth.** You can look for emerging needs and member types you could serve. By studying their initial purchasing habits, you can understand how to extend your services to people who don't fit your typical member profile.
- **Target to improve service, save time, and cut costs.** The more members perceive you are the time-efficient way to fulfill their information, learning, and other needs, the more you increase the value of membership. Getting the right communications and marketing offers to interested people saves the association money and members time. You might cut down on promotion fatigue.
- **Take an inclusive and dynamic approach to defining niches.** Avoid putting people into categories based on assumptions that are hard to escape. Member and customer needs and interests change. People often have complex, fluid identities. Be careful not to build biases into your data models that presume more than you can tell from the data about who your members are. Keep searching for indicators that keep the member experience dynamic and evolving.
- **Preserve a sense of the whole.** If all members don't receive some messages in common or have a sense of the breadth of your products and services, they may come to have a more limited view of your association or find they are isolated in only one type of member community or experience. Strike the right balance between segmentation and integration. Filter on the factors that align best with your association's mission and search for ways to increase your mission effectiveness.

Keyword Search

To continue researching this change driver, use these search terms:
demographic segmentation, market segmentation, big data, big data analytics, customer analytics, A/B testing, microtargeting, predictive marketing, filter bubble, lifestyle segmentation, data mining, cluster analysis, personalization

Who Will Be Affected

Every association can do a better job of using data analysis and segmentation to understand its members' needs and interests. Likewise, businesses of all types can use data to increase the effectiveness of their marketing and communication efforts.

About ASAE ForesightWorks

ASAE ForesightWorks is a deliberate, evidence-based research program and emerging line of products to provide association professionals with a continual stream of intelligence about the changes facing the association industry, including:

- regularly updated action briefs;
- tools for applying insights from the research in your association;
- guidance in performing environmental scans; and
- opportunities to engage with peers around the research.

Ultimately, the program's mission is to empower association leaders to create a culture of foresight.

Check **asaecenter.org/ForesightWorks** and follow **@ASAEfdn** on Twitter for updates on new findings and events.

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