Big Data Doesn’t Change Anything (And Changes Everything)

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What does Big Data allow marketers to do with segmentation that was not possible before?

If you’re a segmentation purist (and I am), you view segmentation as a strategic tool meant for managing a customer portfolio. Its ultimate purpose is to help define unique value propositions that will resonate with each different customer segment, and to help set customer objectives. In this context, Big Data doesn’t fundamentally change what segmentation can do or how we use it. Rather, it enhances the segmentation, strengthens it by providing the marketer with new facets of customer information. It offers sharper, more revealing insights into customer behaviors. I liken it to the difference between a hand-cranked drill and a 24-volt power drill. They both perform the same job, but one’s on steroids.

Advancements in data and technology have allowed us to leverage massive amounts of unstructured, conversational data from customers and translate it into information that can be analyzed and used for customer segmentation. Specifically, by capturing the conversational or “digital exhaust” of customers and adding it to existing traditional data, we get a fuller view of customer motivations and a better understanding of their preferences. Consider the instances where customers give us feedback in the form of a free-form text box in a Web-based customer satisfaction survey, or an opinion post on a social media page.

In the past a lot of that rich data would get stored and ignored by statisticians, because this kind of unstructured data is difficult to work with. With today’s Big Data capabilities, we can leverage text mining applications to give segmentation more analytic horsepower. We can take that goldmine of data and transform it into attributes or dimensions that can be directly assigned to a segmentation scheme to build a more robust customer strategy. But in the end, while Big Data vastly improves the strength of segmentation, it really doesn’t change the way we use segmentation strategically.

Targeting is the game-changer

For argument’s sake, let’s say you have a more loose interpretation of segmentation. Many in the marketing industry confuse customer segmentation with targeting…viewing it as a tactical tool for making decisions about customer interactions. While I don’t subscribe to this school of thought, the fact is that—in this context—Big Data is a game-changer.

It has an enormous impact on targeting, given the volumes of data flowing from multiple media and channels, the velocity with which it accumulates, and the unstructured nature of a large portion of it. It turns out that unstructured, free-form text data, which was previously cast aside, has proven to be extremely predictive, providing lift in even existing models. It now enables micro-targeting based on specific triggers, allowing marketers to create much more relevant offers and messaging—in real time—in our inbound, outbound, online, or offline interactions with customers.

So, someone provides feedback through your call center; telling you how they feel about a product, good or bad. The mere fact that they’re calling tells us a lot about them as customers. But to the extent that you’re able to take that feedback and translate it into knowledge about that customer, you can then make your own communications more relevant to them—and possibly save some customer relationships along the way.

Let’s say I’m complaining about a life insurance policy, I’m confused about a feature while trying to open a checking account, or I’m frustrated trying to set up my new laptop.
The way your company reacts to these interactions can mean the difference between a positive or negative experience. They can affect future behavior, such as switching to a competing brand or canceling a service contract.

In the past, the same customer would check a simple click box, indicating “dissatisfied.” But there are key words and phrases in today’s interactions that signal a potentially unsatisfied customer. Now, with access to this “soft” data and the ability to process it, the statistician can mine out exactly what the challenge is, and activate more personalized communications that try to resolve the issue. The situation may call for an email with instructions for how to solve a problem, or perhaps a Facebook response, an invitation to an online chat, or a phone call. These interactions will create a much more personal, positive customer experience.

So, the answer to the question is a simple, “Yes and no.” Segmentation in its purest form will remain an essential tool for setting customer strategy, with Big Data giving it an adrenaline boost. But for the purpose of targeting, no other factor creates a greater shift than Big Data.