

---

**KNOWLEDGE @ WHARTON**

---

**MARKETING**

# **Why Small Data Is the New Big Data**

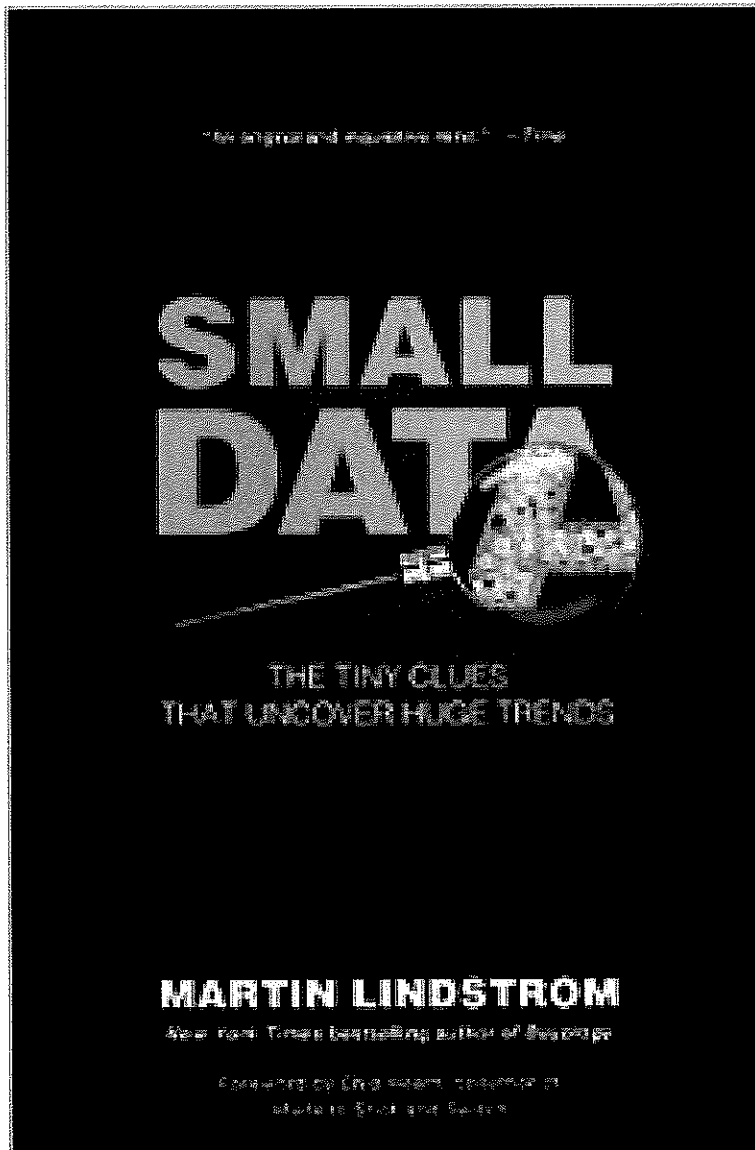
*Mar 24, 2016*

📖 Books, Business Radio, Podcasts

📍 Global Focus, North America

---





*Martin Lindstrom has spent time with 2,000 families in more than 77 countries to get clues to how they live — resulting in the acquisition of what he likes to call Small Data. In his new book, Small Data: The Tiny Clues That Uncover Huge Trends, he*

*argues that the Small Data explains the why behind what Big Data reveals.*

*Knowledge@Wharton recently spoke with Lindstrom on the Knowledge@Wharton show on Wharton Business Radio on SiriusXM channel 111.*

*An edited transcript of the conversation follows.*

**Knowledge@Wharton:** I wanted to start with an old line that has been around forever: “Don’t sweat the small stuff.” It seems like the opposite is true, correct?

**Martin Lindstrom:** Absolutely. The issue right now is that the corporate world has become completely blinded by Big Data. But it’s very, very hard to describe emotions using data. That is where the issue is. A great example of how powerful Small Data is, in fact, the story back to 2002 where the Lego company was almost going bankrupt. What they did was rely on Big Data. They concluded that the instant gratification generation would kill their product. So they changed the size of the small, tiny bricks to huge building blocks. In 2003, the company was almost going into bankruptcy mode.

What happened was that the company decided to go into the homes of consumers across Europe. They met up with this young kid, an 11-year-old German boy, and they asked him, “What are you most proud of?” The kid replied back, “This pair of sneakers.” He showed them an old, worn-down pair of sneakers. Then he said why. He said, “Well, because it shows I’m the best skater in town. If I slide down the skateboard, I am number one, and this is my evidence.” [Inspired that conversation with the boy, and realizing the quality of insights that could be gained by talking with individuals, Lego employed those methods and] ... changed the size of the Lego bricks back to the tiny bricks, invented the *Lego Movie* and today is number one....

**Knowledge@Wharton:** That’s amazing that something so innocuous as that conversation really changes the path of a major company. We

have seen the unbelievable success that they have had over the last decade.

**Lindstrom:** Absolutely. It's happening more and more. I think it's fair to say if you take the top 100 biggest innovations of our time, perhaps around 60% to 65% are really based on Small Data. It's everything from Snapchat, which was basically discovered by coincidence, to even the Post-It note. The issue here is that as we become so obsessed with Big Data we forget about the creativity. You have to remember that Big Data is all about analyzing the past, but it has nothing to do with the future. Small Data, which I define as seemingly insignificant observations you identify in consumers' homes, is everything from how you place your shoes to how you hang your paintings. I call those the emotional DNA

we leave behind ourselves.... You need the hypothesis first before you start to mine it and find correlations.

**“If you take the top 100 biggest innovations of our time, perhaps around 60% to 65% percent are really based on Small Data.”**

**Knowledge@Wharton:** Please explain the difference between Big Data and what we're talking about here with Small Data.

**Lindstrom:** Big Data is all about finding correlations in enormous amounts of data. An example would be back in 2012 where Google was analyzing the search algorithms and concluded that they could predict a flu outbreak a couple of days before it would happen based on people typing in the word “flu.” ... The whole medical society was now preordering all their pharmaceutical products in advance because they had that warning, which was great. But just recently the Center for Disease Control concluded that Google had been completely wrong. In fact, the numbers were two times of what they should have been because people were not just typing in “flu....”

Big Data is all about finding correlations, but Small Data is all about finding the causation, the reason why. A simple question in a home would actually reveal that these numbers were probably

a little bit too optimistic. That is what we forget as we become so obsessed with proving everything with numbers.

**Knowledge@Wharton:** You share in the book a variety of different examples of this. I wanted to bring up a couple of them because the one that really jumped out first was the fact that you talk about smartphone usage. Let's be honest: If you don't have a smartphone, you're very much in the minority today. The use of a smartphone can collect so much information about people right now.

**Lindstrom:** It absolutely can. It can tell an enormous amount about who we are and what we're dreaming about. It can also encapsulate the users of the phone into somewhat of a conclusion about a whole nation, which I find fascinating.



One of the things I've done over the last 10 years is to spend a tremendous amount of time in consumer homes. It's more than 2,000 homes I either lived in or visited across 77 different countries. You start to get a sense for what's going on. What is fascinating is that if you take the Russian culture, for example, you will notice that they are not smiling a lot. In fact, they are very introverted. If you take the Saudi Arabian culture, you'll notice that there is not a lot of water there. There is not a lot of greenery.

Now if I go back to the smartphone and look at the use of emojis, you will notice that the number one emoji used for Russia is a smiley. It's actually a smiley with the hearts. The number one emoji used for Saudi Arabia happened to be a potted plant. The number one usage in UK is the wink because they have this funny, awkward British humor. A whole

population can actually be squeezed into a little signal, a little piece of Small Data, which actually first makes sense when you know the culture, when you spend time in the homes. That is the fine balance we're talking about....

**Knowledge@Wharton:** You have worked with quite an array of companies over your career. How are they trying to use this data and reach consumers in a more effective manner? How are they affected by this shift and maybe even a growing focus on Small Data?

**Lindstrom:** What we started to learn right now is that those companies which are completely reliant on Big Data actually have started to have a problem. The best example is Walmart, which came up with the second profit warning just

recently. They had the largest data-mining warehouse in the world, period. It gives you a good sense of where we are.

One of my clients is Lowes Foods, which is a North Carolina-based company. What they have done is to actually live with the consumer. They are living in the community to understand the Small Data, pick them up. As a result, they now have become much more focused on embedding themselves into the community and actually creating a community inside the store.

As you enter their store, they have now created an amazing community where every staff member acts in a character mood, based on Small Data. You have the sausage works where they're creating handmade sausages in the supermarket, and they even have Halloween sausages glowing in the dark. I'm not kidding.

They have a chicken kitchen where they're dancing in the middle of everything when they have the chicken ready from the oven.... What the customers are telling me when I interview them in the store is, "I feel at home. I feel like my community is coming back."

This is the essence of what we discovered when we were searching around for Small Data. We learned that the physical community is dying. It's all moving into a cloud. People start to feel this huge desire for tactile interaction with people, to see people, because the only thing we touch is our smartphone in the morning. So that was a concrete example about how a retailer completely turned around and is now one of the fastest growing in the region because they're listening to the consumer and the Small Data.

**“Big Data is all about finding correlations, but Small Data is all about finding the causation, the reason why.”**

**Knowledge@Wharton:** In some respects, we've seen that happen over the last several years, but it still is a process where a lot of the companies don't buy in 100%. That ends up becoming one of their biggest downfalls....

**Lindstrom:** Recently I did a speech for 3,000 executives here in New York City. I asked them to raise their hand if they spent at least one or two days in a consumer home over the last year. Two

people raised their hands. That shows everything, as I tend to say. If you have a girlfriend or a boyfriend, you wouldn't describe that person based on, "Well, I love her because she's 6' 7" tall, and I love the four last digits of her cell phone number. They really turn me on." Right? No, we have to have that emotional aspect.

It's very tricky for CEOs and senior managers to understand this because they are so reliant on sitting in meetings and meeting rooms behind screens. Suddenly they have to strip that whole identity away from themselves and go into real consumer homes. That's where I think the younger generation will start to get it.

I'll tell you one thing: If I were 15 or 18 or 20 or 25 years of age right now, the first thing I would do is to understand deep consumer psychology

by spending time in consumer homes ... because that is going to be the biggest asset in the future. Every company wants that.

**Knowledge@Wharton:** If you went back 20 to 30 years, how many CEOs would spend a day or two in the home of a consumer or a couple of consumers? That wouldn't even be a thought in the process. Now it has to be?

**Lindstrom:** Now it has to be.... I had the honor of spending time with the founder and the owner of IKEA, Ingvar Kamprad, and I'll tell you a funny story. I went into one of his stores in Stockholm in Sweden many years ago, and I had to meet up with him. He was nowhere to be seen in the office. So I said to the staff, "Where is he?" They said, "Well, he's probably at the usual spot." I said, "Where is that?" [They said] "That is at the check out." So I went down to the cash registers.

Guess what, they were right. He was sitting behind one of the cash registers and checking people out. I said to him, “Why are you doing that?” He said, “Because this is the cheapest and the most efficient research ever. I can ask everyone why they choose it and why they didn’t choose it.” This is the essence of how good business leaders are.

We lost touch with that. Because we’re so busy, we use that as an excuse for not being present. But I think if you take the good upcoming entrepreneurial business leaders right now, like the Gopro founder, [they are] very much hands-on with the real audience. He knows what they’re thinking. He has been in the shoes of a consumer and thinks like them. That instinct can only be established if you’re really present in the homes. If you just look at numbers, you will never establish an instinct like that.



**Knowledge@Wharton:** How has the Internet affected Small Data?

**Lindstrom:** Well, it affects us in a very, very smart way. On one hand, you have the large companies like the Amazons and the eBays of the world, which are thriving on Big Data. A lot of small businesses have been made to believe that they have to follow that trend. But I'll tell you one thing that is really interesting. As you may be aware, Amazon just recently opened their first bricks-and-mortar store in Seattle.... Now why did they do that?

I think the answer very simply is that we think the book sales are flattening out on Amazon and even the Kindle sales are not growing much more anymore. So they're trying to find other avenues. Now their Big Data is telling them that they have to have a physical interaction.... I recently did the

keynote at the American Bookseller Association (ABA) in Denver. As I spoke to these independent booksellers across the world, I said to them, “Aren’t you afraid of Amazon?” They all said exactly the same, “No way, and I’ll tell you why.” They said, “Because they do not embed themselves into the community.”

Because every bookstore today is embedding themselves into the community.... They’re talking with authors, integrating themselves. I met up with a bookstore with ten staff, which is running more than 1,000 book events a year. This is becoming their lives. Now this is also reflective of the power of big and Small Data because remember they are both like a ying and yang where Big Data on the Internet is good at going down the transaction path if you click, pick and run. You could say that the Small Data is

fueling the experiential shopping, the feeling of community, the feeling of the senses — all that stuff you can't replicate online....

What I tend to say is that they are two partners in a dance. We just need to make sure that both are present. We can't live on one person dancing with himself, right?

**“The physical community is dying. It's all moving into a cloud. People start to feel this huge desire for tactile interaction with people.”**

**Knowledge@Wharton:** How much do you think the use of Small Data will really continue to grow because of the change of generations?

**Lindstrom:** We've gone too far down the track of the Big Data. It's not just me saying this. We work and interact a lot with Big Data companies. They are almost all of them saying to us, "You're right. We need that hypothesis to mine our data." But people don't want to even listen to it because it's not fashionable to talk about this.

What we're seeing happening right now is the pendulum is swinging back again. We will see people say, "Hey, that's great with those Big Data. But we probably need to find some great hypotheses." A great example of that is a major bank here in the U.S which just recently [mined] their data, concluding that they had too much churn.

Churn is basically when people are just moving on with the bank accounts and they're just leaving. They were concluding that people were not happy. So they started to prepare these letters and send them out to all the customers saying, "Why are you not happy?" Just half a day of interviews, with consumers in their homes, revealed that these consumers were not leaving; in fact, they had just gone through a divorce and one of the two has to change their accounts.

That is what I think we're starting to realize right now. What you have to remember is that as robots and technology take over, we humans will become and will have to become smarter. A good example is the auto-driving Google cars. What they realized was that two or three of those accidents were not because of the car; it was

because the humans were overriding the rules set by the computer in the car. Suddenly we had this game going on. And that will continue.

As Big Data tries to become smarter, the human will become even smarter. That's the reason why we'll see the future will be all about those people who can add that creativity to that game, who can think differently.

## Small Data: The Tiny Clues That Uncover Huge Trends



---

All materials copyright of the Wharton School (<http://www.wharton.upenn.edu/>) of the University of Pennsylvania (<http://www.upenn.edu/>).