

Microtrends

By Mark J. Penn and E. Kinney Zalesne

Introduction

In 1960, Volkswagen shook up the car world with a full-page ad that had just two words on it: *Think Small*. It was a revolutionary idea—a call for the shrinking of perspective, ambition, and scale in an era when success was all about accumulation and territorial gain, even when you were just driving down the street.

At the same time that America was becoming the world's superpower, growing the dominant economy and setting the pace for global markets, the Beetle took off as a counterculture phenomenon—representing individuality in reaction to the conformity of the 1950s.

America never quite got used to small when it came to cars. But ask two-thirds of America, and they will tell you they work for a small business. Americans are willing to make big changes only when they first see the small, concrete steps that will lead to those changes. And they yearn for the lifestyles of small-town America. Many of the biggest movements in America today are small—generally hidden from all but the most careful observer.

Microtrends is based on the idea that the most powerful forces in our society are the emerging, counterintuitive trends that are shaping tomorrow right before us. With so much of a spotlight on teen crime, it is hard to see the young people who are succeeding as never before. With so much focus on poverty as the cause of terrorism, it is hard to see that it is richer, educated terrorists who have been behind many of the attacks. With so much attention to big organized religion, it is hard to see that it is newer, small sects that are the fastest-growing.

The power of individual choice has never been greater, and the reasons and patterns for those choices never harder to understand and analyze. The skill of microtargeting—identifying small, intense subgroups and communicating with them about their individual needs and wants—has never been more critical in marketing or in political campaigns. The one-size-fits-all approach to the world is dead.

Thirty years ago sitting in Harvard's Lamont Library, I read a book that started out, "The perverse and unorthodox thesis of this little book is that the voters are not fools." Its author, V.O. Key, Jr., made an argument that, since that day, has guided how I think not just about voters but consumers, corporations, governments and the world at large. If you use the right tools and look at the facts, it turns out that the average Joe is actually pretty smart, making some very rational

choices.

Yet almost every day, I hear experts say that voters and consumers are misguided scatterbrains, making decisions on the basis of the color of a tie. That's why politicians pay consultants to tell them to wear earth-tone suits, or get their facial lines removed. That's why many commercials feature pointless stories with no relation to the products. Too often, candidates and marketers don't believe the facts or the issues matter that much. Oftentimes, it is they who are the fools. I bet at least two-thirds of all communications are wasted with messages and images that only their creators understood.

The perspective of this book is that, thirty years later, V.O Key, Jr.'s, observation is not only sound, but should be the guiding principle of understanding the trends we see in America and around the world. People have never been more sophisticated, more individualistic, or more knowledgeable about the choices they make in their daily lives. Yet, as Key observed, it takes intensive, scientific study to find the logical patterns that underlie those choices. When faced with people's seemingly contradictory choices, it can be a lot easier to chalk them up to brown suits and Botox.

And indeed, the contradictions today are striking. While people are eating more healthful foods than ever, Big Mac sales have never been higher. While Fox News is number one in the ratings, the antiwar movement dominates most news coverage. While America is growing older, most of what we see in advertising and entertainment has been created with youth in mind. While people are dating as never before, they have never been more interested in deeper, longer-lasting relationships. While more people than ever before are drinking clear, natural water, more people are also drinking "monster" energy drinks loaded with chemicals and caffeine.

In fact, the whole idea that there are a few huge trends that determine how America and the world work is breaking down. There are no longer a couple of megaforges sweeping us all along. Instead, America and the world are being pulled apart by an intricate maze of choices, accumulating in "microtrends"—small, under-the-radar forces that can involve as little as 1 percent of the population, but which are powerfully shaping our society. It's not just that small is the new big. It's that in order to truly know what's going on, we need better tools than just the naked eye and an eloquent tongue. We need the equivalent of magnifying glasses and microscopes, which in sociological terms are polls, surveys, and statistics. They take a slice of the matter being studied and lay it open—bigger and clearer—for examination. And inside, you will find yourself, your friends, your clients, your customers, and your competition, clearer than you ever thought you might.

Working for President Clinton in 1996, I identified the under-the-radar group that became known as the Soccer Moms. (I like to think I did something for the youth soccer movement, although I really didn't mean to. The phrase was just meant to get at busy suburban women devoted to their jobs and their kids, who had real concerns about real presidential policies.) Until that campaign, it was generally thought that politics was dominated by men, who decided how their households would vote. But the truth was, in 1996, most male voters had already made up their minds by the campaign. The people left to influence were the new group of independent Moms, devoted to both work and their kids, who had not yet firmly decided which party would be good for their families. They, not their husbands, were the critical swing voters. To win them over, President Clinton initiated a campaign to give them a helping hand in raising their kids—drug-testing in schools, measures against teen smoking, limits on violence in the media, and school uniforms. These Moms did not want more government in their lives, but they were quite happy to have a little more government in their kids' lives to keep them on the straight and narrow.

In retrospect, a profound political change was spawned by this bit of trend-spotting. Previously, almost all Democrats had targeted downscale, noncollege workers, particularly in the manufacturing sector. But union membership and manufacturing jobs were shrinking, more people were going to college, and almost the entire electorate in the U.S. was calling itself middle class. If Democrats missed the key trends, they would miss the boat.

Now candidates enthusiastically target Soccer Moms—although someone may want to let them know that trends move fast, and Soccer Moms, too, have moved on. Now, a decade later, their kids are getting ready for college, many of them have been through a divorce, and their own financial security has become as big an issue for them as raising their children was ten years ago.

And with all of the attention being paid to those Moms, Dads—suburban-based, family-focused, office-park-working Dads—are all but neglected in politics, advertising, and the media. In the twenty-first century, Dads spend more time with their children than ever in history. Has Madison Avenue adjusted? Are Dads *ever* the target of back-to-school campaigns?

There could be as big a shift ahead in marketing as 1996 saw in Democratic politics.

The art of trend-spotting, through polls, is to find groups that are pursuing common activities and desires, and that have either started to come together or can be brought together by the right appeal that crystallizes their needs. Soccer Moms had been there for a decade or more—but they became a political class only when they were recognized as a remarkably powerful voting bloc in

America.

Today, changing lifestyles, the Internet, the balkanization of communications, and the global economy are all coming together to create a new sense of individualism that is powerfully transforming our society. The world may be getting flatter, in terms of globalization, but it is occupied by 6 billion little bumps who do not *have* to follow the herd to be heard. No matter how offbeat their choices, they can now find 100,000 people or more who share their taste for deep fried yak on a stick.

In fact, by the time a trend hits 1 percent, it is ready to spawn a hit movie, best-selling book, or new political movement. The power of individual choice is increasingly influencing politics, religion, entertainment, and even war. In today's mass societies, it takes only 1 percent of people making a dedicated choice—contrary to the mainstream's choice—to create a movement that can change the world.

Just look at what has happened in the U.S. to illegal immigrants. A few years ago, they were the forgotten Americans, hiding from daylight and the authorities. Today they are holding political rallies, and given where they and their legal, voting relatives live, they may turn out to be the new Soccer Moms. Militant immigrants fed up with a broken immigration system just may be the most important voters in the next presidential election, distributed in the key Southwest states that are becoming the new battleground areas.

It's the same in business, too, since the Internet has made it so easy to link people together. In the past, it was almost impossible to market to small groups who were spread around the country. Now it's a virtual piece of cake to find 1 million people who want to try your grapefruit diet, or who can't get their kids to sleep at night.

The math can be not just strategic, but also catastrophic. If Islamic terrorists were to convince even just *one-tenth* of 1 percent of America's population that they were right, they would have 300,000 soldiers of terror, more than enough to destabilize our society. If bin Laden could convert just *1 percent* of the world's 1 billion Muslims to take up violence, that would be 10 million terrorists, a group that could dwarf even the largest armies and police forces on earth. This is the power of small groups that come together today.

The power of choice is especially evident as more and more Americans make decisions about their own lives. For example, the population growth in America has slowed to .9 percent, but the number of households has exploded. Between people getting divorced, staying single longer, living longer, and never marrying at all, we are experiencing an explosion in the number of people

who are heads of households—almost 115 million in 2006 compared to about 80 million in 1980. The percentage of households consisting of one person living alone increased from 17 percent in 1970 to 26 percent in 2003. The proportion of married-with-kids households has fallen to less than 25 percent.

All these people out there living a more single, independent life are slivering America into hundreds of small niches. Single people, and people without kids at home, have more time to follow their interests, pick up hobbies, get on the Internet, have a political debate, or go out to movies. By all rights, no one should even go to the movies anymore—you can get movies practically as fast by downloading them or using pay-per-view—but for people with a free Saturday night, movies are such a solid preference that theaters are *raising* their prices, not lowering them. More people have more disposable resources (including money, time, and energy) than ever before. They are deploying them in pursuit of personal satisfaction like never before. And as a result, we're getting a clearer picture of who people are and what they want. And in business, politics, and social-problem-solving, having that information can make all the difference.

This book is all about the niching of America. How there is no One America anymore, or Two, or Three, or Eight. In fact, there are hundreds of Americas, hundreds of new niches made up of people drawn together by common interests.

Nor is niching confined just to America. It is a global phenomenon that is making it extremely difficult to unify people in the twenty-first century. Just when we thought that, thanks to the Internet, the world would be not only connected but ultimately unified around shared values favoring democracy, peace and security, exactly the opposite is happening. We are flying apart at a record pace.

I recently went bowling and, contrary to another popular but misguided idea, no one was there alone. But actually, the people hurling the balls down the lanes weren't the clichéd pot-bellied, beer-drinking bowlers, either. In fact, there appeared to be no similarity at all from one group to another. In one lane was a family of Indian immigrants, including the grandparents. In another lane was a black Mom with two adolescent kids. In a third lane were four white teens, some with tattoos, some with polo shirts. And two lanes down, a Spanish-speaking man and woman were clearly on a bowling date, smooching between spares.

With the rise in freedom of choice has come a rise in individuality. And with the rise of individuality has come a rise in the power of choice. The more choices people have, the more they segregate

themselves into smaller and smaller niches in society.

The Explosion of Choice

At the Boston Tea Party in 1773, there was probably only one kind of tea hurled overboard—English Breakfast. Today, if Americans staged that rebellion, there would be hundreds of different teas flying into the harbor, from caffeine-free jasmine rose to Moroccan mint to sweet Thai delight.

You can't even buy potato chips anymore without having to pick from among baked, fried, rippled, fat-reduced, salted, or flavored—with flavor subcategories including barbeque, sweet potato, onion and chive, and Monterey Pepper Jack.

We live in a world with a deluge of choices. In almost every area of life, Americans have wider freedom of choice today than ever in history, including new kinds of jobs, new foods, new religions, new technologies, and new forms of communication and interaction.

In some sense, it's the triumph of the Starbucks economy over the Ford economy. In the early 1900s, Henry Ford created the assembly line so that mass consumerism could take place—uniformly. Thousands of workers turned out one black car, millions and millions of times.

Today, few products still exist like that. (One that does, ironically, is the personal computer, which has made it to every desk in every home in essentially the same form. There is some customization around the edges, but if you go to a typical CompUSA to buy a computer, you'll have fewer options than you do choosing lettuce in the supermarket.)

By contrast, Starbucks is governed by the idea that people make choices—in their coffee, their milk, their sweetener—and that the more choices people have, the greater satisfaction they feel. (And in just those simple choices, you can see the unpredictability of the consumers—some are avoiding caffeine, fat, or sugar, and others are happily ordering them all.) Starbucks is successful because it can be all things to all people—it makes no bets on one set of choices over another.

Whereas in the Ford economy, the masses were served by many people working to make one, uniform product, in the Starbucks economy, the masses are served by a few people working to make thousands of customized, personalized products.

The Starbucks model seems to be winning. iPods are popular not because we can carry around music—we could do that with the Walkman in the 1980s. They are popular because they let us

pick and choose our own songs. Personal technology has become *personalized* technology, and now we can have exactly what we want in almost every consumer area. You can even have a made-to-order car delivered in less than a month—longer than it takes to get a pizza, but still an amazing feat made possible by technology.

The triumph of personalization and choice is a boon for coffee-drinkers and car-buyers, but it's a nightmare for trend-spotters. As choices get more and more finely sliced, you have to look all the harder to see how choices change.

But remember the terrorists, or realize that the best-selling car in America is bought by barely 300,000 people. Unlike any other time in history, small trends can make a big difference. So while it is harder than ever to spot trends, it is also more important.

Small groups, drawn together by shared needs, habits, and preferences, are on the rise. They are powerful, and they are hard to find. This book aims to pin some of them down.

The Power of Numbers

There have been some very good books in recent years that claim that America is moving in a couple of big directions. This book contends the opposite. America is moving in hundreds of small directions. At once. Quickly. It's part of our great energy and part of our looming challenge.

Because small trends pay very little deference to one another. For every high-profile group of young, urban chic in America, there is another group of older, old-fashioned churchgoers. For every group of Gadget Geeks, there are the people who say turn the technology off. Americans are dieting more than ever, but the steak houses have never been more full. Politics is split to the extremes with "red states" and "blue states," but there have never been more voters who call themselves Independent.

For thirty years since reading V. O. Key, I have used the most reliable device I know of to spot trends, or the shifts and evolutions in these groups: numbers. Americans claim to be a "gut" nation—which is kind of a bodily metaphor for what we roughly term our "values." How many times do you hear that the right thing to do is to follow your gut?

Most of the time, though, that advice is pretty lousy. If you want the safest form of transportation, get on a plane; don't go near a car. If you want to lose weight, count calories; forget the cranberry juice and flaxseed. Numbers will almost always take you where you want to go if you know how to

read them.

In general we love numbers—a hit TV show these days is even called *Numb3rs*. But we also fear them. In part because we're less well trained in math and science than we are in language and literature. As a country, we suspect we're not that good at numbers. They scare us, almost as much as public speaking. At the same time they fascinate us.

Many of us have a healthy mistrust of numbers, because some people, in an effort to advance an agenda, misuse them. Do you remember the Y2K scare? Every computer-user on earth worried that their files were in jeopardy as the millennium turned over. In fact, only one-third of the world's computers were ever even susceptible to Y2K errors—and in those, hardly any problems materialized. Or avian flu. In late 2005, it sped around the world that out of 140 or so human cases of avian flu reported in Southeast Asia, more than half had resulted in death. Reporters somberly concluded that the mortality rate for avian flu is more than 50 percent. Terrifying! But in fact the sample those numbers came from was only the very sickest people. People who contracted the flu and never went to the hospital never even made it into the calculations. I call these reported numbers "scaretistics."

My job, in thirty years as a pollster, has been to separate the wheat from the chaff when it comes to numbers. In working for different kinds of clients, from Bill Clinton to Bill Gates to Tony Blair, I have learned to pierce through remarkably stubborn conventional wisdom, finding counterintuitive trends in society that can help solve substantial challenges. Imagine for a moment that you are a powerful leader. Eloquent advocates tug at you every day, and the press gives you its opinions. Your advisers chime in. It becomes hard to make the right choice unless you also have the missing ingredient: the numbers. My job was to wade through all the opinions and offer a solid, quantitative view of reality based on the numbers, so that leaders had a true picture when they made their decisions. In my view, words without numbers are as meaningless as numbers without words—you need the right balance, so that eloquent arguments are backed up by reality as depicted by numbers. Later in the book, we talk about rising crime in America—a very difficult subject that has been the focus of countless treatises and theories on everything from unemployment to permissive parenting. But when you understand that the number of felons being released from jail has lately escalated to 650,000 people a year, you instantly have a model of a new threat on the streets and are pointed to a new set of solutions.

In my role as pollster and strategist, I have helped generate winning counterintuitive strategies that follow the numbers. Going after the Soccer Moms in 1996. Helping soon-to-be Senator Hillary Clinton in 2000 look for votes in upstate New York, where Democrats had not traditionally

found many. Breaking the mold on advertising for companies by having them pitch their ads to older people, not young ones. Advising the winners of fifteen foreign presidential elections in languages I could not even pronounce, let alone understand, because I stuck to the numbers and not local biases. Often, people are just too close to the situation to see the real facts—and it takes an objective look to tell them what is really going on. Leaders can be even more isolated, often captive to their staffs, and hearing only what local journalists say is going on. Numbers can cut to the chase in any language.

I remember one day telling the new president of Colombia that his people were ready for an all-out war on drugs by an overwhelming percentage. They did not, as most people thought, want to turn a blind eye but wanted to modernize the country. The president was silent on the matter—but finally his chief of staff said, “Mark, you are right, but we would all be killed.” He taught me the limits of the numbers that day, but eventually both that president and the country did decide to make war on the drug lords, and risk their lives in the process.

This book is about the power of numbers and how they drive America and the world. Rarely are things what they seem on the surface, and nonquantitative, conventional wisdom is usually not wisdom at all. Hidden right in front of us are powerful counterintuitive trends that can be used to drive a new business, run a campaign, start a movement, or guide your investment strategy. Even though these trends are staring us in the face, we often don’t really see them.

Trend Spotters in Context

I am part of a proud line of trend-spotters. Alvin Toffler, who wrote the Future Shock series, and John Naisbitt, who wrote Megatrends, were some of the first thinkers in the modern era to look at the huge, changing world of human behavior and try to make some sense of it with facts and data. They got it right that the Information Age would change everything.

But one thing in particular that it changed was the nature of looking at trends themselves. As we’ll see throughout this book, you can’t understand the world anymore only in terms of “megatrends,” or universal experiences. In today’s splintered society, if you want to operate successfully, you have to understand the intense identity groups that are growing and moving, fast and furious in crisscrossing directions. That is microtrends.

It is very different, however, from what most people do when they “spot trends”—which is itself a growing trend. Lately there is something of a cottage industry of marketers and sociologists who will tell you the Ten or Fifteen Things You Must Know to get through the next two or five or ten years. They define and refine the world around them with ever cuter and cleverer names for the

consumer, cultural, and personal changes going on in society. Yes, I aim for some sticky labels in this book, too. But in this book, a trend is not merely a “development,” like the declining use of cash. It is not simply a “shift” in how people do things, like more women taking their husband’s name. It is not just an evolving “preference” for a product or activity, like the growing use of GPS systems. *A microtrend is an intense identity group, that is growing, which has needs and wants unmet by the current crop of companies, marketers, policymakers, and others who would influence society’s behavior.*

Diving In

In *Microtrends*, we will look at seventy-five groups who, by virtue of their daily decisions, are forging the shape of America and the world both today and tomorrow. While some groups are larger than others, what they have in common is that they are relatively unseen—either because their actual numbers are small or because conventional wisdom hides their potential in the shadows, sometimes even emphasizing the exact opposite.

In some of the groups, you will see yourself or your friends, your clients or your constituents. Some groups will seem wildly remote. Some funny. Others tragic. Occasionally, I have documented diametrically opposing trends. Taken together, they are a kind of impressionist painting of America and the world.

At the end, we’ll take a step back and look at the portrait. No longer the sum of a few master strokes, America and the world are now a collection of fine dots, to be examined one by one. We’ll see what image emerges at the end, and what it means for our future.

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