Action Brief: The Growing Significance of AI-Powered Hyper-Personalization in Digital Marketing

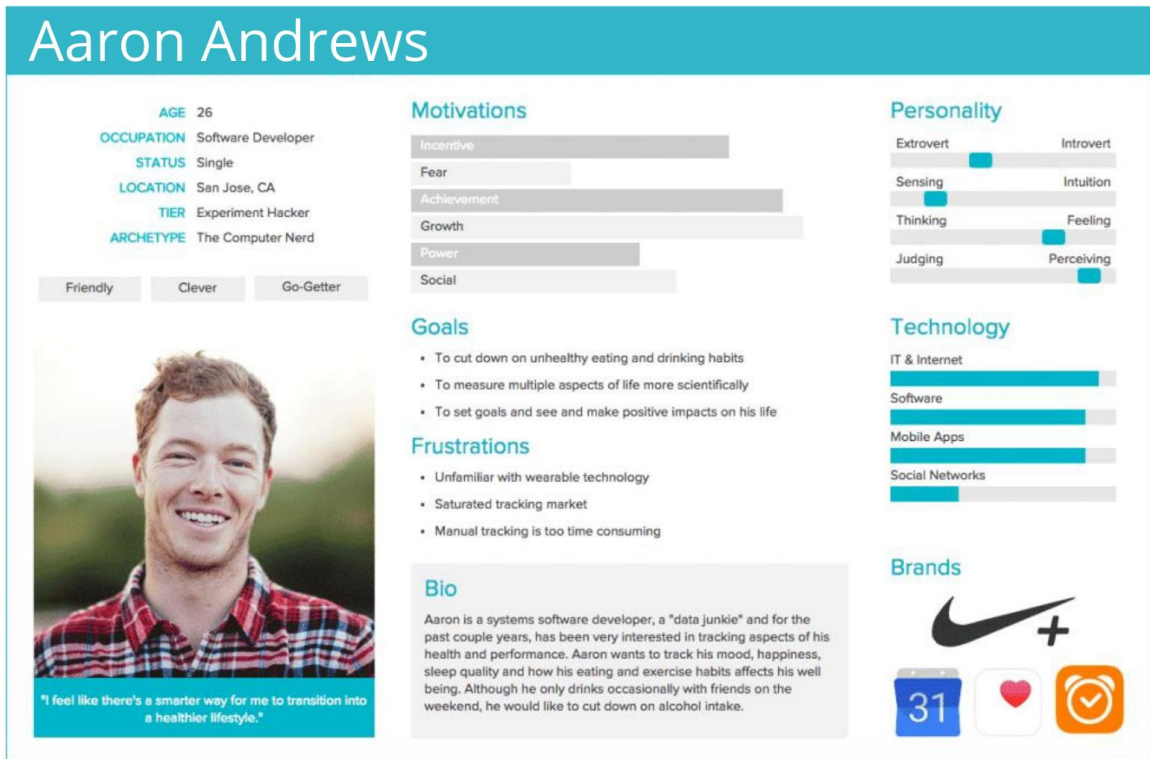## Part One: Personas and the Hyper-Personalization Evolution

During a series of focus groups MBA Research and Curriculum Center conducted in Fall of 2021, leaders in digital marketing discussed the rising importance of technology-powered hyper-personalization and its impact on personas, privacy, and the future of business. The following Action Brief is a synthesis of their insights and findings from additional research. It is part one of a three-part series on digital marketing called *The Growing Significance of AI-Powered Hyper-Personalization in Digital Marketing.*

This week, we'll discuss marketing personas and the hyper-personalization evolution.

What are personas, anyway?

In the early 1980s, software developer Alan Cooper described composite customer archetypes as "personas," a term characterizing the identity and purchasing habits of a typical consumer within a target market. A persona profile seeks to describe an 'imagined' person and typically consists of a fictitious name, demographic information, and details about the person's behavior, needs, wants, and goals.

Check out this example from Patrick Faller's article, "Putting Personas to Work in UX Design: What They Are and Why They're Important":

Essentially, personas translate the data into a story.

Why are personas used?

Businesses use personas to understand how customers search for, purchase, and use products and/or services, which then enables companies to improve the buying experience.

Personas are particularly useful for marketers, user experience (UX) designers, and anyone in the organization who handles customer data. The information about a persona's current behaviors, goals, and expectations aids in product design and development. Personas help businesses relate to and empathize with their customers, then better satisfy their needs.

How are personas developed?

For a persona to be useful and reliable, it must be based in reality. Even though a persona is a semi-fictional character, it is created from *real* users and *real* experiences—not stereotypes—and gathered from a variety of sources, including focus groups, surveys, market research, and statistical analysis.

Organizations use data from publicly available sources, such as national statistical and demographic data, as well as the company's customer data to develop distinct personas. Useful, nuanced personas are based on both customer interviews and hard data. The combination of both qualitative and quantitative data is vital for gleaning insightful behavioral patterns from the data.

Doing so enables companies to increase customer retention and conversion. After developing these personas, researchers validate them and ensure relevancy by comparing with real customers on a regular basis.

The best personas are highly detailed, robust profiles that are built from a wealth of data. Businesses ultimately create personas to deliver unique, personalized customer experiences. As technology advances, organizations have access to more data than ever before.

Personalization vs. hyper-personalization

Personalization is the act of customizing an experience or communication to a specific individual or group based on the personal and transactional information gathered about that consumer. Think companies using your name in the subject line of an email. Hyper-personalization refers to the use of AI and behavioral data to customize user experiences in real time. Hyper-personalization goes beyond traditional personalization in its scope and power.

According to the article "Hyper-Personalization: The Next Wave of Customer Engagement," displaying only certain sections of a website depending on users or sending push notifications when customers are most active are examples of hyper-personalization in action.

It's important to mention that hyper-personalization isn't industry specific. Consider the following examples of personalization from Kathleen Walch's article "8 Examples of AI Personalization Across Industries":

- Content (e.g., personalized message boards at drive-throughs, personalized style recommendations on clothing sites)
- Messaging (e.g., tailored email content, targeted messages)

- Ad targeting (e.g., AI placing better ads based on real time factors like demographics, behaviors, and buying history)
- Recommendations (e.g., machine learning algorithms develop more related and relevant recommendations in real time)
- Websites (e.g., using big data to automatically customize content displayed on website by visitor based on site behavior, purchase data, repeat vs. first-time user, etc.)
- AI-powered chatbots (e.g., gather comprehensive data and deeper insights from users)
- Better customer sentiment analysis (e.g., help marketers identify true sentiment by observing and analyzing instead of generalizing and guessing)

The transition from personalization to hyper-personalization is largely powered by AI and Big Data.

This series is part of the research we conducted for the development of our 9-week Digital Marketing course, coming in Summer 2022. Stay tuned for Part Two, where we'll dive into the relationship between hyper-personalization and artificial intelligence.

Resources for Further Learning:

- Why AI Makes the Human Touch Even More Important in Personalization
- Personas vs. Personalization: Should Both Be Part of Marketers' Toolkits?
- Hyper-Personalization: The Next Wave of Customer Engagement

Reflection Questions:

- Are there any ethical concerns with making assumptions about groups of people?
- How can marketers and businesses engage in ethical persona development and tracking?
- What guidelines should researchers follow to create user personas that are both fair and accurate?
- How should companies balance fairness and trust from a consumer standpoint?

Sources:

- Best Practices on Creating Effective Personas
- How Are Personas Used in Real Organizations?
- Complete Guide: How to Create Personas Based on Data
- How To Use Personas? Listing Typical Persona Use Cases
- Putting Personas to Work in UX Design: What They Are and Why They're Important
- The Complete User Analysis Guide: Personas to Design to Analytics
- How To Create Highly Accurate Customer Personas for Marketing