

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

### **Part Two: Hyper-Personalization, Brought to You by Artificial Intelligence**

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 two of a three-part series on digital marketing called *The Growing Significance of AI-Powered Hyper-Personalization in Digital Marketing*.

Last week, we discussed marketing personas and the hyper-personalization evolution. Now, we'll discuss the relationship between hyper-personalization and artificial intelligence.

#### **To summarize:**

- 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.
- Examples of personalization include messaging, ad targeting, recommendations, AI-powered chatbots, and more.
- The transition from personalization to hyper-personalization is largely powered by AI and Big Data.

#### **What is AI?**

Artificial intelligence (AI) is the ability of machines to simulate human thinking capabilities and execute tasks with limited human intervention. AI gives organizations the ability to analyze enormous amounts of data from a plethora of sources and draw conclusions in the blink of an eye.

Machine learning, a branch of AI, is the way in which a computer system *builds* its intelligence. Powerful computers analyze huge quantities of data, then create rules based on patterns. The computer tests those rules as algorithms on new data sets and improves its predictions as it learns. The machine learning system self-trains through experience.

#### **How do companies use AI for hyper-personalization?**

The field of AI enables organizations to create increasingly tailored, deeply personalized, unique user content to meet customers' expectations for highly personalized experiences. AI and machine-learning applications model existing customer behaviors and preferences, then test different messaging content and styles, serving as a proxy for human focus groups, which means less money, time, and effort spent compared to using real people.

In addition, AI helps tailor personalization to real people and personal characteristics, not just models. Machine-learning systems gather the transactional and behavioral data from consumers, then decide which messaging and delivery methods work best for the specific persona. Businesses create baseline materials, then use AI to tailor to the specific customer. Tailored content and user experiences drive engagement, build customer loyalty, increase sales, and help companies better understand their customers, meaning they can craft better products and user experiences.

Using the speed and depth of information available from AI technology, businesses can create personalized content that matches customer preferences using profile data, location tracking, browsing history, and purchasing decisions.

Part of the challenge of omnichannel marketing, which focuses on delivering a consistent experience across all channels, devices, and platforms, is integrating consistent messaging across *all* points of contact (e.g., website, mobile apps, payment portals, etc.). It can be difficult to maintain consistency as devices and touch points change over time. AI addresses this issue by constantly updating personas with real-time information from customers gathered across channels.

### **What are the benefits for customers?**

From the customer's perspective, hyper-personalization simply makes life easier. Time is valuable, and the less time customers spend sifting through irrelevant content or repeating their concerns, the more likely they are to take action (e.g., make a purchase, contact the business, download a file, etc.). When it's simple to solve a problem or find an answer, you're much more likely to develop brand loyalty.

Think of your video or audio streaming services' personalized "For You" recommendations, which are seamlessly integrated in the platform and at times seem to read your mind. According to Gibson Biddle's extensive article, "[A Brief History of Netflix Personalization](#)," the streaming service takes into account time of day, recent activity, platform, personalized visuals (movie artwork), percentage match, relevant filters, and more, all based on each individual customer's preferences. Every time you open the app, try a new show, or switch back to an old favorite, Netflix is gathering data to further personalize your experience and keep you coming back.

As you can see, AI and machine learning applications are powerful technologies in any industry. They extend the reach of personalization, but we would be remiss not to mention the risks associated with the responsibility.

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*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 Three, where we'll dive into the ethical implications of artificial intelligence-powered hyper-personalization.*

**Resources for Further Learning:**

- [Why Hyper-Personalization Is the Future of Marketing \(And How to Do It\)](#)
- [Connecting with Meaning: Hyper-Personalizing the Customer Experience Using Data, Analytics, and AI](#)
- [Ethical Personalization: Weighing Benefits and Risks](#)

**Reflection Questions:**

- What factors should businesses consider when creating responsible AI practices?
- How would you describe AI-enabled hyper-personalization to a friend?
- What are some examples of personalization (and hyper-personalization) in your life (e.g., at school, at work, in extracurriculars, at home, etc.)? Have you ever experienced personalization that was *too* personal? Describe your experience.
- Weigh pros and cons associated with machine learning.

**Sources:**

- [Marketing Personas and AI](#)
- [8 Examples of AI Personalization Across Industries](#)
- [A Brief History of Netflix Personalization](#)
- [Is Hyper-Personalization the Next Big Thing in Business?](#)
- [What is Hyper-Personalization and Why Is It a Key Customer Experience Component?](#)