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

Part Three: Ethical Implications

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

Last week, we discussed the relationship between hyper-personalization and artificial intelligence. Now, we'll discuss the ethical implications of AI-powered hyper-personalization.

To summarize:

- Artificial intelligence (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.
    - The machine learning system self-trains through experience.
- The field of AI enables businesses to create increasingly tailored, deeply personalized, unique user content to meet customers' expectations for highly personalized experiences.
    - In addition, AI helps tailor personalization to real people and personal characteristics, not just models.
- From the customer's perspective, hyper-personalization simply makes life easier.

What are the risks and ethical considerations?

The benefits associated with AI technology and machine learning applications are clear. However, these tools carry their own set of unique challenges, risks, and ethical considerations. Keep in mind that AI is a relatively new technology, still in its infancy—its evolution and development is ongoing.

A major risk surrounding AI technology concerns regulatory compliance and data privacy. Data protection legislation like the General Data Protection Regulation (GDPR) in the EU, California Consumer Privacy Act (CCPA), and other laws regulate online privacy rights. Other concerns include ethical data use and sharing and working with sensitive data safely. For example, researchers must use anonymized behavioral data from website browsing. Consumers need to be able to trust that companies aren't misusing their private information. It's crucial to balance data security and privacy with digital personalization.

Persona tracking involves gathering the information necessary to create accurate, detailed user personas without veering into privacy violations and the 'uncanny valley.' The uncanny valley is the relationship between an object's degree of resemblance to a human and the emotional response it evokes. Humanlike robots are fine up to a certain point, then they make us feel uneasy. The same

experience occurs with data: there's a fine line between useful digital personalization and the uneasiness of a computer knowing too much information.

Other limitations of AI for hyper-personalization include its high cost, program complexity, requirement of large amounts of data and power, and enormous investment in the data, tools, and technology. AI also has drawback when it comes to nuance and discernment. AI programs can't always read subtle signs and make the subjective or qualitative judgments that people can understand through personal contact.

Another concern is the lack of control. There is little human control involved in machine learning algorithms. Some machine learning and AI algorithms use black box models, which are created directly from data and in a way in which humans often cannot understand how it works. These systems are opaque, meaning their methods are not transparent or straightforward. This opens the door for serious ethical concerns. Just like humans, AI can make mistakes. It's important to be aware of the potential for bias and prejudice (both taught and programmed) in artificial intelligence.

AI is created by humans with their own biases—it is not an impartial technology. To be used in an ethical manner, the technology needs to be fair and transparent. According to "Rethinking Personas for Fairness: Algorithmic Transparency and Accountability in Data-Driven Personas," organizations should clearly identify how their data was collected, as well as the limitations of their data collection methods. It's important that companies use both qualitative and quantitative information—relying purely on quantifiable information can create a skewed picture. Researchers should consider outliers and marginalized groups when using data-driven personas and emphasize diversity within the personas.

Living in harmony

It's clear the relationship between AI and humans is a complementary one: Our capacity for strategic thinking, creativity, and empathy balances the data-processing, hyper-personalization capabilities of AI. Hyper-personalization technology is woven into the future of business—the challenge is to what extent. With great power comes great responsibility. The key to successful, ethical data-driven personalization is a balance between technology and human touch, between privacy and personalization. We're looking forward to tracking this trend and seeing how the relationship develops over time and technological progress.

This series is part of the research we conducted for the development of our 9-week Digital Marketing course, coming in Summer 2022. Be sure to read all three parts of this Action Brief series: The Growing Significance of AI-Powered Hyper-Personalization in Digital Marketing.

Resources for Further Learning:

- Rethinking Personas for Fairness: Algorithmic Transparency and Accountability in Data-Driven Personas

- Ethical Concerns of AI in Marketing
- How To Build an Ethical User Research Practice at Any Organization

Reflection Questions:

- Discuss the “uncanny valley” and its effect on AI personalization.
- Explore the conflict between the customer desire for increasingly personalized experiences versus the limitations and legality of consumer privacy.
- Consider ethics from a rule of law lens: Is there a difference between what is legal and what is ethical? Where do we draw that line? Who draws it?
- Think about algorithmic bias: Is technology ever truly impartial and unbiased? If not, how should we address bias and prejudice in technology?
- Consider the impact of diversity, equity, and inclusion within the context of AI and technology.
- How can businesses create an ethical partnership of humans and artificial intelligence?
- What sort of transparency should exist within the black box of machine learning? How can businesses and technology companies enhance open, honest communication about their research methods and study limitations?

Sources:

- Ethical Concerns of AI in Marketing
- AI-Based ‘Synthetic Personas’ Can Augment and Transform Audience Research
- Why AI Makes the Human Touch Even More Important in Personalization
- Overcoming the Pitfalls to Smart and Successful AI Personalization