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AI Transitions in Consumer Marketing

Artificial intelligence in customer service is a slowly integrating operation. One thing that has already seen an impact is how companies market to customers. Based on consumer purchases and data collected from internet browsing, AI allows companies to find patterns in the habits of its users and tailor their platforms and services to certain subgroups based on their online behavior.

The nature of this transition comes with the rise and recent advancements in technology. With Artificial Neural Networks, ANNs, being a common tool in modern AI. Artificial neural networks are commonly used for classification prediction based on existing data and are useful for finding commonalities throughout subgroups of a company's consumers. The process of clustering smaller groups from a larger population is called "Market segmentation" (Chattopadhyay et al.). This process allows marketers to broaden their reach for services while still being useful to as many people as possible. It can also help identify particular needs within a specific subgroup to ensure they are met to the same standard.

A widely common marketing practice is the collection of data to show targeted content to users. This ranges from targeted ads on social media to aiding content generation. Based on what websites and media users choose to interact with, along with their demographics, a website is able to show them content that is personalized to the user based on what others like them have

found useful or entertaining. The goal is to maximize the probability of a positive experience for the user so that they will continue to use that service. A well-known example of this in popular media would be the Netflix recommendation algorithm. Depending on content that has been watched in the past, stored in a watch list, or searched, Netflix is able to suggest content you might enjoy based on what others with similar habits have enjoyed and even change thumbnails to pique interest.

Going even further, some websites go beyond targeted content, some websites use AI to provide personalized interactions with each specific individual. An increasing number of websites have online chatbots that prompt people when entering their page, AI is being used to enhance their experience, increasing engagement with the website by giving instant access to customer support at any time and allows the AI to collect more data and suggest content specific to the individual directly.

Although the goal of AI usage is to increase a personalized experience to consumers there's a question about whether personalized content is actually better than general widespread content. In addition to this, the increase in AI-consumer interaction means there is bound to be oversights. For instance, perhaps the AI works too well at predicting customer habits. A popular story from 2012 notes that a target algorithm was able to "Figure out a Teen Girl was Pregnant Before Her Father Did" (Forbes, 2012). A Forbes article from 2012 tells the story of a man going into a Target and complaining about his teen aged daughter receiving coupons and advertisements in the mail, seemingly targeted towards a pregnant woman. It's later found that the Target algorithm was doing its job and making predictions about the consumer based on previous purchases and the man's daughter was indeed pregnant. While this incident's

authenticity is questionable, it brings up the topic of data collection, the use of AI in marketing and if personalization is worth the cost of privacy.

A benchmark study report from 2016 by Demand Metric covers the effectiveness of personalized content in general. The study showed that when measuring content consumption, engagement, and value of financial opportunities from personalization, participants that had been exposed to personalized marketing rated it more effective than those without. In continuation, after the study over 75% of participants said they were likely to increase the use of content personalization (Demand Metric, 2016).

Works cited

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