AI in Product Management
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Lecture - 31

Positioning and Differentiation using AI

Welcome to this NPTEL online certification course on artificial intelligence in product management. Now we are talking about module 31, which is positioning and differentiation using AI. So, this is what we are discussing: positioning and differentiation using AI, and this is part 7, wherein we are talking about developing AI-enhanced product strategy. So, to give an overview of this module, we will introduce AI in positioning and differentiation, explain the benefits of using AI and generative AI for effective positioning. Discuss the applications and tips for using generative GPT for effective positioning.

Define a unique value proposition using AI. Understand generative AI applications and differentiation. Discuss the challenges of using AI in positioning and differentiation. So, now let us look at the introduction to positioning using AI. Positioning goes beyond mere marketing.

It encapsulates the entire strategy a company employs to distinguish its offerings from competitors. In an overcrowded market, Where consumers are bombarded with information, a well-defined position can be the key to capturing attention, building loyalty, and gaining a competitive advantage. As businesses navigate the digital landscape, AI has emerged as a game-changer in positioning. An AI positioning statement defines your organization's approach to integrating and leveraging

AI technologies. It guides your internal AI strategy and communicates your company's AI aspirations. An AI positioning statement incorporates three things. One is your business's strategic goal. The benefits of your AI capabilities and the value you aim to deliver to your stakeholders.

Next, we will talk about differentiation. In a crowded marketplace, differentiation is the key to standing out and capturing customer attention. Effective product positioning highlights what sets a brand or product apart from competitors and why consumers should

choose it over alternatives. While differentiation zooms in on what makes your offering distinct, it is innovative features, superior quality, and excellent service.

It is about spotlighting those factors that separate you from the pack, offering consumers a compelling reason to choose you. In essence, while both strategies, positioning and differentiation, aim to set your offerings apart, positioning is about the perception you create, and differentiation is about the tangible qualities that support that perception. Now, these are the benefits of using generative AI for positioning strategy. One is that AI can generate unique and innovative ideas for positioning. AI can save time and resources in the development process.

AI can analyze global trends and adapt to different markets. AI can analyze vast amounts of data to identify patterns and insights. And then, AI can provide data-driven recommendations for effective positioning. So, leveraging AI for effective positioning, how AI transforms positions. So, the first thing here is AI-powered market research.

AI empowers businesses to gather and analyze vast amounts of customer data with unprecedented efficiency. This unlocks a treasure trove of insights that can be harnessed to refine positioning strategies. The next is identifying trends and preferences. AI can process massive datasets to uncover hidden trends and customer preferences that might go unnoticed through traditional methods. For instance, AI can detect subtle shifts in consumer sentiments on social media, enabling

adjustments of brand messaging accordingly. Predict future movements. Machine learning algorithms can analyze historical data and identify patterns to predict future market movements. This allows you to stay ahead of the curve and anticipate evolving customer needs, ensuring your brand remains relevant. Competitive analysis.

AI can meticulously analyze your competitors' strategies and performance, providing valuable benchmarks and insights to define your positioning. You can leverage this intelligence to identify gaps in the market and tailor your offerings to address unmet customer needs. The second is personalized customer experience. One of the most transformative applications of AI in positioning lies in its ability to personalize customer interactions at scale. This fosters deep connections and boosts brand loyalty.

Tailored marketing campaigns. AI can segment your audience based on demographics, behavior, and preferences. Enabling you to craft highly targeted marketing campaigns that resonate with each individual customer. Studies indicate that personalized marketing

campaigns can generate up to 80% higher engagement rates. Enhanced customer engagement: AI can personalize content and product

Recommendations, keeping customers engaged and fostering a sense of satisfaction. Research shows that personalization can lead to a 20% increase in sales. Improved customer satisfaction and loyalty: When customers feel understood and valued, they are more likely to remain loyal to your brand. In fact, studies reveal that 73% of customers say that Customer experience is an important factor in their purchasing decisions.

The third is advanced data analytics. AI excels at processing and analyzing vast quantities of data, uncovering patterns and trends that might be missed by traditional methods. Advanced data analytics powered by AI empowers you to make data-driven decisions that strengthen your positioning. It can help you identify customer segments, understand the diverse segments within your customer base, and tailor your brand message accordingly. This ensures your brand resonates with each segment's unique needs and preferences.

Optimize pricing strategies. Use AI to determine optimal pricing strategies based on market demand, competitor pricing, and customer elasticity. This ensures you maximize profit margins while remaining competitive. Forecast sales trends. Predict sales trends with greater accuracy to align your brand strategy and resource allocation with market demand.

This proactive approach minimizes risk and optimizes your return on investments. The fourth is enhanced customer insight. With AI, businesses can gain a deep understanding of their customers' behavior and preferences, enabling them to craft more targeted brand strategies. Sentiment analysis: AI can analyze customer reviews, social media mentions, and feedback to gauge sentiment towards your brand. This allows you to identify areas for improvement and address customer concerns proactively. Improvement and address customer concerns proactively. Customer journey mapping. AI can help you map the customer journey in detail, pinpointing pain points and opportunities to enhance the customer experience. This empowers you to streamline processes and remove friction points that might impede customer satisfaction and brand loyalty.

Behavioral analysis. AI can predict customer behavior based on past experiences. Interactions, and historical data. This enables you to anticipate customer needs and tailor your marketing message and product offerings accordingly. Fifth is automating routine tasks.

AI can automate many time-consuming and repetitive tasks involved in positioning, freeing up your team to focus on strategic initiatives. Content creation. AI can generate personalized marketing content, social media posts, and product descriptions tailored to different Customer segments. This ensures consistent messaging across all touchpoints and streamlined content creation workflows.

Social media monitoring. AI can continuously track brand mentions and engagement across social media platforms, providing valuable insights into brand perceptions and customer sentiments. This allows you to identify areas of strength and areas for improvement. Enabling you to refine your social media strategy for optimal impact. Email marketing AI can personalize and automate email marketing campaigns, delivering targeted messages based on customer behavior and preferences.

This significantly improves email open rates and click-through rates, driving higher conversion rates. Next, we will look at how to leverage GPT for effective positioning. In an era dominated by digital communication and information overload, effective positioning is more important than ever. GPT, with its advanced natural language processing capabilities, has emerged as a game-changer in the field of marketing. By leveraging GPT,

businesses can create compelling narratives, tailor messages to specific audience segments, and stay ahead of the competition. GPT offers several advantages that can enhance product positioning strategies. One is GPT's natural language processing capabilities. GPT's ability to understand and generate human-like text allows businesses to create compelling narratives that resonate with their target audience. Whether crafting brand stories, product descriptions, or marketing messages, GPT can generate language that feels authentic and engaging.

Generating compelling brand narratives, storytelling is a powerful tool for building emotional connections with consumers. With GPT, businesses can generate immersive brand narratives that capture the imagination and foster brand loyalty. By tapping into the power of storytelling, brands can create memorable experiences that leave a lasting impression. Tailoring messages for a target audience, one of the key benefits of GPT is its ability to generate highly personalized content based on specific parameters.

Businesses can input information about their target audience, such as demographics, interests, and preferences, and GPT will generate tailored messaging that resonates with them on a deeper level. Now we will have some tips for the effective implementation of GPT for positioning. The first is conducting thorough marketing research. Understanding

the target market's needs, preferences, and pain points is essential for crafting effective positioning strategies. By conducting thorough market research, businesses can ensure that their messaging resonates with the right audience.

Crafting a unique brand voice. GPT provides businesses with the opportunity to develop a distinct brand voice that sets them apart from competitors. Whether aiming for humor, sophistication, or authenticity, businesses can use GPT to create a voice that resonates with their target audience. Effective positioning requires constant testing and iteration to ensure relevance and effectiveness. By collecting feedback, analyzing performance metrics, and making adjustments as needed, businesses can refine their positioning strategies over time and stay ahead of the competition. Next, we will look at Defining a unique value proposition using AI. Creating a compelling, unique value proposition is essential for differentiating your product in the competitive marketplace. Leveraging AI can enhance the process of defining a unique value proposition by providing data-driven insights and automating various aspects of research and analysis.

Here are the key techniques for defining a unique value proposition using AI. One is customer insight analysis. AI can analyze large datasets from customer interactions, surveys, and social media to identify trends and preferences. This analysis helps in understanding what customers value most in products or services. The action steps include using sentiment analysis to gauge customer feelings about competitors' products, analyzing customer feedback to identify common pain points and desired features. Next is competitor benchmarking. AI can automate the collection of competitor data, allowing businesses to compare their offerings against those of competitors effectively. This benchmarking helps identify

Unique features or benefits that can be emphasized in your unique value proposition action steps include utilizing AI-powered tools to scrape competitors' websites for product features, pricing, and customer reviews. Create a comparison chart that highlights your strengths relative to the competitors. The third is market trend analysis. AI can analyze market trends and predict future shifts based on historical data. Understanding these trends allows businesses to position their offerings effectively and craft a unique value proposition that resonates with emerging customers' needs. Action steps include implementing predictive analytics to forecast shifts in consumer behavior or preferences. Use AI-driven market research tools to identify growing trends relevant to your industry.

Value Proposition Canvas: Utilize AI-enhanced tools to create a value proposition canvas, which consists of two sections. One is the customer profile: gains, pains, and jobs, and the value proposition map: product services, gain creators, pain relievers. AI can help populate this canvas with data-driven insights. The action steps include

Input customer data into an AI tool that generates insights about customer jobs, pains, and gains. Map out how your product addresses these elements effectively. The third is automated unique value proposition generation. AI tools like ScaleNet's unique value proposition generator can streamline the process of crafting a UVP by generating tailored statements based on input criteria related to your product. Action steps include

Enter key details about your business into an AI-powered UVP generator. Review generated propositions and refine them based on additional insights from customer analysis. Then comes A/B testing with AI. Once potential UVPs are developed, use AI-driven A/B testing tools to evaluate which propositions resonate best with your target audience. This real-time feedback allows for quick adjustments based on actual consumer responses.

Action steps include deploying different versions of your UVP across marketing channels, analyzing engagement metrics to determine which UVP performs best and why. The next is the continuous feedback loop. Implement AI systems that continuously gather feedback from customers regarding their perceptions of your UVP. This ongoing analysis helps refine the proposition over time, ensuring it remains relevant as market conditions change. Action steps include

Use chatbots or surveys powered by AI to collect real-time feedback on customer perceptions. Regularly update your UVP based on insights gained from continuous monitoring. Now we will look at generative AI advantages and product strategies to differentiate. For decades, product builders have long accepted a seemingly unbreakable rule. As the capability of a product increases, so does its complexity.

For users, this has often meant choosing between simplicity and power. Anyone who has grappled with advanced software knows the frustration of navigating through countless menus and options to find that one feature they need. It is a classic trade-off that has dictated the user experience. But the rise of generative AI promises to disrupt this trade-off. Imagine the Adobe Photoshop of yesteryears: while the product boasted a staggering array of rich design features, it became so complex that only experts could use it.

Today, with generative AI, Photoshop can enable users to make requests in plain speech, like 'remove background' or 'make this portrait pop with sharper contrast.' This is a glimpse into how AI is making powerful tools more accessible for everyone. By interpreting natural language commands, advanced feature-rich products can now make their user experience more accessible and intuitive for users without sacrificing their sophisticated capabilities. Conversely, the existing feature-light products aimed at novice users, which typically favor a simple user experience, can now offer a newfound depth of generative AI capabilities.

without complicating the user interface. So, this figure depicts the essence of a paradigm shift where complexity is no longer the cost of capability. So, here we have feature-light, here we have feature-rich, here we have a simple user experience, and here we have a complex user experience. So, before generative AI, we had this. So, this is Adobe Photoshop, Google Slides,

With generative AI, now this line has shifted to this. It means that it is becoming a more simple user experience. As generative AI redefines the product design landscape, it is clear that established companies with a strong user base and domain expertise have a head start. However, success is far from guaranteed. One can integrate a generative AI API today, but where is the moat?

Following are some of the key strategies that product leaders are leveraging to use generative AI for delivering differentiated offerings to their customers. The first is a tailored experience with proprietary domain-specific data. In generative AI, a one-size-fits-all approach does not make the cut for specialized use cases. Generic foundation models are trained on internet data, which lacks industry-specific, nuanced knowledge. Take large vision models as examples.

So, these large vision models, or LVMs, are typically trained on internet images which include pictures of pets, people, landmarks, and everyday objects. Many practical vision applications, such as manufacturing, aerial imagery, life sciences, etc. use images that look nothing like most internet images. Adopting foundation models with proprietary data can vastly improve performance. The narrative is similar for text-based large language models.

For instance, Bloomberg trained an LLM with proprietary financial data to build Bloomberg GPT, which outperforms other generic models of similar size on most finance NLP tasks. By augmenting foundation models with proprietary in-domain data, companies can develop tailored generative AI that understands the nuances of the industry and delivers a differentiated experience to meet users' specialized needs. The second is solving AI's last-

mile challenges. For all their impressive abilities, generative AI models are far from being reliable enough for most real-world applications.

This gap between wow, demos and dependable deployments is what technology refers to as the last-mile problem. Generative AI produces probabilistic output and has a tendency to hallucinate. This is a cause of concern in many businesses, finance, medicine, and other high-stakes use cases. As generative models become more capable, implementing practices to ensure fairness, transparency, privacy, and security grows increasingly important.

In Figure 31.2, we will list various initiatives that leading companies are prioritizing to manage the last-mile risks pertaining to their industry. By solving difficult, responsible AI challenges unique to their industry, companies can successfully integrate these powerful technologies into critical real-world applications. Leading in AI ethics will earn user trust and gain a competitive advantage. Now this is AI for managing last-mile risk. So when we have this responsible AI, fairness, safety, transparency, user empowerment, and privacy.

Fairness means ensuring evaluation and training data sets include wide representations of demographics. Safety means adversarial testing to expose blind spots and strengthen model robustness. Test AI across a range of scenarios for consistent performance. And implement input-output guardrails to prevent misuse or harmful content generation. Transparency means providing citations for AI-generated insights to help users verify results.

Share details on the service's intended use, limitations, security, and privacy practices. User Empowerment means enabling users to adjust AI prompts, settings, and see the outcomes. Bacon Human Oversight nudges users to verify content and share uncertain uncertainty estimates, create channels to get user feedback on AI, and privacy means implementing strict data governance policies. The third is product enhancement through continuous learning and personalization.

The cornerstone of crafting an exceptional human-centered user experience is to design products that do not just respond to users but grow and adapt with them. Leading generative AI products will implement tight feedback loops between users and AI to enable continuous learning and deliver personalized experiences. Consider Grammarly, a tool designed to refine and improve users' writing. It has recently launched generative AI features to provide users with personalized writing suggestions. Figure 13.3 provides the conceptual breakdown of how Grammarly can implement feedback loops to enhance its product aligned with different user goals.

So, this is Grammarly's implementation or feedback loop, user goal, user transaction data, and AI outcomes. User goals include minimizing the need for edits and rewrites, reducing the number of clicks to complete the task, and improving writing skills. Then, this gives us the user interaction data. So, first, we get to track users' edits on AI-suggested write-ups, track settings, tone, length, and modifiers selected by users in different contexts. And track common errors in users' initial drafts.

AI outcomes include adopting AI to generate write-ups based on user preferences, adopting AI to auto-select users' preferred settings based on context, and then providing customized suggestions to improve user writing. So, a successful implementation requires thoughtful design of a feedback loop based on user goals, logging usage data securely with privacy safeguards, scalable data infrastructure to fuel AI model adoption, and testing interfaces to elicit high-quality user feedback. The result is an AI that becomes increasingly customized to individual needs without compromising privacy. Privatizing these human-centered feedback loops creates living products that continuously improve through real user engagement.

The cycle of learning will become a core competitive advantage. The fourth is AI-first design, full-stack optimization with AI at the core. Realizing the full potential of generative AI requires rethinking the user experience from the ground up. Bolting an AI chatbot into the application as an afterthought is unlikely to provide a cohesive experience. This requires cross-functional collaborations and rethinking of interactions across the entire product stack right from the beginning.

Consider a bike repair app. A chatbot that allows users to upload pictures of their bike and receive text instructions can be a good market value proposition, but the ideal user experience will likely be a huge visual interface that we will look at later on. The user opens their camera and points it at the bike. Computer vision analyzes visuals to highlight relevant parts of the bike. The app provides guided instructions on the live camera feed.

So, this is what we are talking about: chatbot interface and visual interface. So, now turn the quick-release lever clockwise. Delivering this experience requires collaboration across teams. User experience design, user research, and prototyping for computer vision user interface, engineering data pipelines, performant APIs, caching for low latency, data building, training, evaluation, Datasets early to fuel improvement.

Science ensuring high-accuracy vision models tailored to bike repair. Domain experts' insights on bike mechanics and feedback to refine AI. By bringing this perspective together

from the outset, products can deliver a fluid, human-centered user experience. Companies leveraging AI-first design thinking and full-stack product optimization will be best placed to provide differentiated value to customers. Now, what are the challenges of using AI in positioning and differentiation?

The first is that of data privacy and compliance. Gathering data from various sources, especially on social media, requires strict adherence to data privacy regulations. Brands must ensure they have the necessary permissions to collect and use data from different platforms, prioritizing consumer privacy. The next is data quality. The quality and accuracy of data from various sources can vary.

AI systems must be capable of handling noisy data and distinguishing reliable sources from less credible ones to ensure accurate insights. Scalability: As the volume of data collected increases, it is essential to have scalable AI solutions in place. This capacity to handle growing data volumes ensures that brands can maintain the effectiveness of their AI-driven positioning strategies. Interpretation

Extracting meaningful insights from multiple data sources can be complex. Brands need to develop the expertise to interpret the results effectively, translating data into actionable strategies. So, to conclude, in this module, we have discussed the concept of AI in positioning and differentiation. We have learned about the benefits of using AI and GenAI for effective positioning, learned about the application and tips for using generated GPT for effective positioning, discussed drafting unique value propositions using AI, and understood generative AI applications in differentiation.

And lastly, we have understood the challenges of using AI in positioning and differentiation. These are some of the references from which the data for this module was taken. Thank you.