

AI in Marketing
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Lec 31-AI and New Brand Realities-II

Welcome to this NPTEL online certification course on artificial intelligence and marketing. And now we talk about module 31 and we are still continuing with AI and new brand realities that we started in module 30. So, this is the part 2 of that and let us look at what are the things that we will cover in this module. So, we will start with discussing the emerging phenomena of brand platforms. Then we will go about differentiating brand platforms from brand aggregator platforms and then discuss the mechanism of flagship brand platform formation. And then we will discuss the building block of brand platforms and related outcomes.

So, we will start with platformization of brands. Digital platforms that aggregate products and services such as Google Shopping or Amazon has emerged as a powerful intermediary to brand offerings challenging traditional product brands that have largely lost direct access to the consumers. As a countermeasure, several long-established brands have built their own flagship platforms to resume the control and foster consumer loyalty. For example, sports brands such as Nike, Adidas, SES launch tracking and training platforms that allow for ongoing versatile interaction among participants beyond product purchases.

So, the problem with these these platforms is that they take away the customers from the brands. Brand platforms is an emerging domain in branding. Although the concept of brand communities and brand aggregator platforms have been relevant for quite some time. Many brands used to offer allied services as well, but the advent of smart technology and AI are now allowing brands to form their own platforms. So, now brands will not have to be dependent on other platforms.

We have briefly hinted at this phenomenon of platformization in the module on network effects, which is itself an important factor for brand platforms. AI and related smart technologies are the backbones of these platformization efforts. Let us delve into this new brand reality and explore what are these brands' platforms and how brands can go about building their own platforms. So, we will start with understanding brand communities. Companies are interested in collaborating with consumers through the internet or otherwise to create value through communities built around brands.

A brand community is a specialized community of consumers and employees whose

identification and activity focus on the brand. So, this brand, this community includes the consumers and employees. There are three characteristics of brand communities. The first is a consciousness of kind or a sense of felt connection to the brand, company, product or other community members. So, there is a connection between the consumers, the company, the product, the brand and other community members.

The next is shared rituals, stories and traditions that help to convey the meaning of the community and also they unite the members. A shared moral responsibility or duty to both the community as a whole and individual community member. Now, what are digital platforms? Digitization promised established product brands nothing short of their emancipation from the traditional retailing value chain. Online channels made cutting out intermediaries and establishing direct consumer access and relationships. Both simple and inexpensive and many brands willingly embraced this opportunity.

However, when new digital aggregators of products and services emerged, in particular online marketplaces and the search engines, they rapidly observed the interface to consumers forcing many offline born products brand back to second rank. What are these brand aggregation platforms? For example, Amazon, Flipkart, Google Shopping and JD.com have become important access point for products from household tools to sports equipments which we use as a recurring example. Leaving brands such as Adidas, Nike or Asus to resume their basis as suppliers to this new group of digital intermediaries. So, now these companies are just reduced to suppliers.

These intermediaries which we call brand aggregation platforms differ from conventional retailers by relying on a platform business model, by relying on a platform business model where they provide the infrastructure and governance to enable commercial transactions between external suppliers and consumers of branded products while not offering these products themselves. So, they provide a platform for sellers and buyers to come together. For example, searching for Adidas running shoes on Google brings up Google Shopping pages from numerous retailers as well as Adidas own shop. Google aggregates these offerings while the consumers transact directly with the brand or an online retailer. As a result, these platforms provide value by granting user access to a wide variety of products and services enabling them to organize their consumption around few powerful interfaces.

This reintermediation through brand aggregation platforms arguably leaves many brand worse off than in the pre-digital retailing era because these platforms diminish brand differentiation and foster price competition by featuring many similar or even identical offerings at different prices from competing suppliers. So, the difference between brands is getting diminished. For example, search for a sports jersey on Zalando, a former online

apparel retailer turned brand aggregation platform, provides an exhaustive overview of products from brand-owned shops and myriad retailers. Now, let us look at the platformization of brands. As a countermeasure to this development, some established product brands have started to venture into the platform business themselves.

So, now these brands are making their own platforms. So, as a countermeasure to this development, some established product brands have started to venture into the platform business themselves either by extending their operation organically that is Nike Run Club or by acquiring existing platforms Adidas Runtastic, Askis Run Keeper. The platformization of brands create offerings that transcend the specific product brand by including third-party complementary products, services and contents to occupy the broader category space and address consumer needs more holistically. However, brands have a hard time building competitive flagship platforms. While retailers have long embraced platformization, for example, Amazon and Zalando Douglas as a natural evolution of their consumer focused aggregator approach.

Product brands lack cross-product expertise, treat the platform as yet another sales channel or fear the inclusion of competitors offering to name just a few impediments. Thus, the platformization of brand is still in its infancy. Though some encouraging examples have emerged in such markets as Athletics, Nike, Gramen, Do It Yourself, for example, Bosch, Mobility, BMW and Daimler, Nutrition, Maggie or Gaming, Epic. For example, Bosch, DIY and Gartner allows consumers to register their tools, engage with the versatile community and receive advice for DIY projects that is Do It Yourself projects. In Mobility, BMW and Daimler have extended their share now platforms to include ride hailing, renting scooters, cars and bikes and finding parkings and charging spots.

And in Nutrition, Maggie offers online twin classes and events, inspirational contents, recipes that link directly to supermarkets. In other industries, including business to business industries, brands gradually acknowledge the potential of building their own digital platforms. But many have difficulty getting started. So, now this this platform is not about selling a single or couple of brands. These are about providing a full experience throughout the journey.

What is the definition of the platform? A platform provides the infrastructure and governance to facilitate interactions between autonomous agents, interaction between autonomous independent agents. That is, platforms link agents onto or more market sides that determine the conditions of their interactions directly. That is, what to exchange, how to exchange it, maintaining residual control rights over their assets. If Nike offers the brands merchandise to consumers or Amazon, the seller can typically set prices, control

the item and quantities offered and decide promotions and delivery. Platforms therefore assume a mediator role, aiming to provide optimal matches between agents on both market sides, often through digital technologies.

Platform interaction can range from the commercials selling off products and services to engaging in forums or social communities to posting and consuming media content on video platforms. Accordingly, examples are abundant and these include social media, for example, Instagram and TikTok, knowledge exchange forums, for example, Stack, Overflow, Quora, communities like Reddit, brand communities, video sharing platforms, YouTube, Vimeo, advertising platform, Google AdWords, service platforms, Uber and Airbnb, hardware and software platforms, for example, games console and software-software platforms, operating systems and app stores. Now, let us look at the brand flagship platforms as a counter to brand aggregation platforms. Brand aggregation platform has the interaction between market sides is at its core a commercial exchange between buyers and sellers of branded products. Brand aggregation platforms thus serve as intermediaries to discrete transactions that lower search cost and efficiently match customers with products or service offerings.

The transactions are discrete in that purchases do not trigger an ongoing feedback process other than, for example, dialogues on social media and customer typically return to enter a new purchase cycle. Despite the widespread success of brand aggregation platforms, their focus on facilitating transactions across a broad product range also makes them vulnerable to competitive attacks. They typically lack the resource, expertise, reputation and infrastructure to individualize customer experience with respect to any single category and thus fail to occupy a specific category space. By contrast, product brands can approach value creation through platformization from a more specialized angle. For example, Nike's Run Club and Training Club platforms are built around athletics.

Critically, brand flagship platforms as mediators of versatile interaction between participants are destined to become much more than an own-brand sales channels. So, these are much more than your sales channel. They offer vast opportunities to co-create value within the brand's category space through a plethora of commercial and non-commercial activities. Vertical interactions may include anything from buying products to providing and consuming contents. For example, product reviews, creative videos and educative podcasts or services.

For example, participating in brand or community organized events. Owing to their versatility, brand flagship platforms may pursue numerous goals such as 1. Increasing brand awareness and loyalty, 2. Offering complementary products and services and 3.

Triggering consumer feedback processes.

Although the platform may include direct selling of brand inventory, this need not be its sole or central purpose. RunTastic started out as a tracking application and despite its acquisition by Adidas in 2015 has preserved and enhanced these features which remain at the core of the platform's value proposition. Now let us look at the properties of brand aggregation and brand flagship platforms. So the first column shows the property, the second is about the brand aggregation platform and the third column is about brand flagship platform. So the first thing that we that is under properties definition.

Platforms, platform brand owned digital platform that mediates discrete transactions between buyers and sellers and commercial sellers of branded products. While under brand flagship platform, product brand owned digital platform that mediates versatile interactions between participants within the brand related category space. And the key goals and activities for a brand aggregation platform is that it facilitates direct selling of products and services. While for a brand flagship platform, there are multiple goals and activities. For example, creating brand awareness, strengthening consumer relationships, building community, fostering consumer learning, selling products and services.

The third thing under property is the commercial target function. So, for brand aggregation platform that means facilitating transactions largely agnostic to product branding. And for brand flagship platforms, it means directly or indirectly driving brand sales and fostering brand loyalty. The fourth property is activity scope. Here it is in brand aggregation platform, it is narrow.

That is product focused aggregators of commercial offerings with ancillary services. While in brand flagship platforms, it is broad, consumer focused, versatile and multi-sided network of products, services and contents. The sixth property is the ownership. For brand aggregation platform, it is online brand platform and platformized retailer. While for brand flagship platform, it is offline brand product brands.

The seventh property is the role of platform owner. For brand aggregation platform, it is the mediator of commercial transactions. And for brand flagship platform, it is mediator and supplier of products, services and content. The eighth property is roles of platform participants. So, in brand aggregation platforms, they are largely well-defined buyers and sellers.

While in brand flagship platform, they are loosely defined. That is participants can assume many different roles. The ninth property is the role of product brands. So here it is, competes for limited platform space and address similar consumption needs as

competing offerings. While for brand flagship platform, it orchestrates value creating activities on the platform.

The tenth property is competition. In this, it encourages within the brand and between brand competition. Here it aims to avoid within brand and between brand competition and focus on complements. The eleventh property is inventory. That is in brand aggregation platform, internal, none or comparatively limited. While external, it is extensive assortments of competing third party offerings.

While brand flagship platform, the internal offers own branded products and possibly external offers complements, possibly direct competitor products. The twelfth property is user experience. In brand aggregation platform, it means standardized. That is category, agnostic aims for simple product comparison. While in brand flagship platform, it is individualized category specific, aims for optimized consumer category experience.

Examples in the first category include Amazon Marketplace, Google Shopping, Wish, IDLO, JD.com, Alibaba and Zalando. In the second category that include Nike's Training Club, Adidas Runtastic, Askies Runkeeper and Bosch DIY and Garden. Now how to go about assembling brand flagship platforms? Assembling brand flagship platform is not trivial as they require strategic and operational choices that may substantially enhance or limit their value to consumers. In both practice and theory, brand platforms are still evolving and guidance on how to approach the transformation is scarce.

A new framework to systemize the assemblage and management of brand flagship platforms have been gaining transaction and this is decision process outcome framework. This framework is rooted in the idea for platforms as communities that leverage the wisdom and addressability of the crowd that is an undefined and generally large network of actors. Brands can use this framework as a conceptual basis to map the possible paths to build their own flagship platforms. So here it is about brand decision, consumer processes and relationship outcomes. So brand decisions are followed by consumer processes and these are followed by relationship outcomes.

So and then there goes the feedback loop that is based on brand goal alignment. So here when we are talking of relationship outcomes on the x axis we have consumer crowd sending and on the y axis we have consumer crowd sourcing and these are the four different options. That is the level of alignment between desired brand goals and achieved consumers platform relationship states. These are the various assembling platforms, building blocks, crowd sourcing from and crowd sending to the platform. This is the consumer, this is the platform, sourcing from, sending.

Digital platforms as places of crowd sourcing and crowd sending. Digital platform address consumer goals by relegating them to the open community or the crowd. Underlying the platform concept is the idea that standing in a crowd and shouting out why you are there is often more beneficial than reaching out to agents in this crowds in this crowd individually. The crowd's assets and capabilities collectively exceed those of any subset of agents. Making scarce resources more abundant and increasing the number of unique offerings.

Furthermore the search for solution in crowds become less resource intensive because one market side that is the consumer articulates its goals to all participants on the other side that are suppliers and that too simultaneously. Consumer crowd sourcing that is consumers open assignment of a task to a network of people or other entities. On platforms task assignments pertains not only to consumers but to all platform participants including third party businesses and product brands which assume similar positions as contributors to the whole. Consumers harness the power of this crowd rather than individual retailers or brands whose products services and content offerings are bundled and made digestible through technology. Notably it is irrelevant if the consumer decides to source from one platform participant only, follows one training plan posted by a single person as this choice is the outcome of the crowd sourcing activity akin to the winners of a crowd sourcing competition.

The consumer selects the offering that suits them best out of all crowd supplied offerings like strolling through the weekly market to fill their bags. On digital platforms recipients can also add to crowd solutions themselves. For example, rating products engaging in discussions and uploading pictures videos and music playlist. Crowd sending is defined as consumer activity to contribute to the network through the suppliers of product services or content. Engaging in crowd sending may for example strengthen consumer social identity and status, bestow a sense of purpose and belonging and allow them to gain monetary rewards.

Now we will look at this decision process outcome framework. The first is decision. Consumer goals and platform building blocks. The crowd that is the collective of platform participants. So this crowd does not mean a collection of useless people but it is a collection of platform participants.

It is particularly good at addressing important consumer goals which renders digital platforms a superior alternative to retailers and direct interactions. The questions thus arises as to when crowds sourcing and sending activities become particularly rewarding for consumers. There are five key goals that consumers pursue when sourcing from or

sending to the crowd. So the first is commercial exchange, the second is social exchange, third is self-improvement, the fourth is epistemic empowerment and the fifth is creative empowerment. Digital platforms cater to these important goals in the form of five building blocks which are transaction block, community block, benchmarking block, guidance block and inspiration block.

Importantly following straight from the consumer's goal perspective, these building blocks do not map exactly to technical platform features. For instance the sharing of a training exercise could reflect a social desire that is engaging with the crowd but also serves as guidance, inspiration or a way of benchmarking for users. Thus the same technical implementation may reflect several building blocks and thus cater to several consumer goals. Let us look at each of these platform building blocks in detail.

The first is the transaction blocks. Catering to the goal of commercial exchange with a transaction block focuses on providing matches between demand and supply to ensure that consumers find the offering that best suit their needs within the assortment of products or services. Although facilitating commercial exchange is not unique to digital platforms, the introduction of virtually endless shelf space coupled with advanced matching algorithm and rapid scalability on both sides that is on the on the sides of buyers and sellers through network effects have laid the foundation for platform providing superior customer value relative to traditional pipeline businesses. Digital platforms allow for almost frictionless participation, provides higher price and quality transparency and allows buyers and sellers to find the perfect exchange partners easily and quickly thereby vastly diminishing the transaction costs. For many commercial platforms such as brand aggregation platforms, the exchange block is at the core of their operations with additional infrastructure assuming supporting functions.

For example, Amazon marketplace, eBay and Uber. However, some platforms integrate an exchange block as part of a more balanced approach to so that the commercial exchange focus does not dominate other platform benefits and thereby prevent further user growth. The next is the social exchange that is the community block. Social exchange relates to the goal of engaging in transactions with other platform participants such as consumers, third parties or employees. These interactions are often part of an ongoing and evolving dialogue between participants aimed at advancing an array of social practices. Consumers may achieve these goals on the platform through a variety of means such as by sharing experiences and personal beliefs.

Depending on which features are part of the platform assemblage and how well they are integrated, broadly positioned brand flagship platforms are able to cater to social exchange goals much better than individual brand communities which are limited by

their commercial and brand focus, a relatively small group of active participants and the lack of diversity. Self-improvement that is the benchmarking block. Consumers have the fundamental urge to live up to their potential, the desire of becoming more and more what one is to become everything that one is capable of becoming. Self-improvement can be seen in terms of self-respect and accomplishment and acquiring excellence. These aspects underlie the quantification and competition trends that many digital platforms addresses, especially in the context of fitness, health, nutrition and sports.

Two points of reference that are most relevant for the consumers in terms of benchmarking and drawing innovation to self-improve the platform crowd and the consumer's own past performance. This development is fueled by the widespread use of connected devices such as mobile phones and wearables that can track and quantify consumer activities, workouts, sleep quality, heart rate and more. Digital platforms often combine self-tracking and measurement technology with crowd-based motivational features and gamified experience such as user rankings, virtual badges and opportunities to share accomplishments. The next is epistemic empowerment, the guidance block. Consumers empowerment is defined as the strengthening of consumers ability, rights or authorities to consume or otherwise fulfill their objective as a marketplace actor.

Digital platforms support epistemic consumer empowerment through information on the products and services they offer but also do more. Some platforms focus on participants exchange of information as in the case of Skillshare where thousands of teachers can upload educational videos or Komoot where participants can record hiking or biking routes and recommend them to others. Other platforms build a strong guidance block around their main commercial operations by allowing participants to share instructional videos, blog posts and structured product feedbacks and evaluation. Guidance blocks are typically standardized, tailored to a specific purpose, one-directional and aim to provide clear and concise results compared to the more open and socially oriented community blocks. Owing to the quantity and diversity of content available through crowd-based guidance blocks, epistemic empowerment of participants on all market sites easily supersedes what retailers or single brands can offer.

The next is creative empowerment that is the inspirational block. With creative empowerment we denote satisfying customer curiosity and longing for new experience. Whereas epistemic empowerment refers to objective and functional knowledge such as that for comparing product and alternative for purchases creative empowerment refers to knowledge and stimulation that inspires the consumers. Consumers can use digital platforms to gain or provide elements of creative empowerment by consuming or creating content including entertaining content and products. Platforms such as Pinterest and Wattpad leverage the crowd to provide a richer set of ideas for consumers seeking

inspiration and a large and engaged group of potential recipients for consumers sharing their ideas. Nike's Run Club platform induces consumers to inspire and be inspired by the crowd through music playlist or workout videos that can add for others to use their own routine.

So now assembling the building blocks. So these transaction block, community block, benchmarking block, guidance block and inspiration block and then comes platform assemblage exemplary assemblage 1. So it is ITC. So these assemblages are various combination of these TC, B, G, I. So the first one is Etsy and Airbnb.

There the transaction block is the biggest one. In assemblage 2, the guidance block is the biggest one. So that is Komota and Skillshare. In assemblage 3, this benchmarking block is the biggest one.

So Adidas Runtastic. So you can benchmark with other runners. And in assemblage 4, this C that is community block is the biggest one. For example, the P interest and Wattpad. The five building blocks can be reassembled to represent different types of platform observable in the market. Thinking about the heterogeneous platform landscape as different assemblages of these building blocks presents a powerful tool for brands in their creation of their own flagship platform because it helps them select the optimal assemblage to achieve specific brand goals. The existence and the relative scope of each building block jointly determines which platform type emerge.

For example, an emphasis on transaction blocks tend to produce marketplaces that cater primarily to the goal of commercial exchanges. A strong benchmarking blocks yields tracking and coaching platforms that cater primarily to the goal of self-improvement. Other platforms combine blocks to fulfill several consumer goals at the same time and allow each consumer to pursue their own goals, choosing a specific consumer platform sub-assemblage. For instance, Ryan Nikes Run Club offers tracking and ranking features to support self-improvement and sharing features to socially engage with other participants while the consumers are either syncretic crowdsourcing and sending activities yielding individual sub-assemblages.

The brand sets the general frame through its assemblage of building blocks. Digital platforms are revolutionary not only because of their ability to to scale quickly and leverage network effect but also because of their versatility and integration ability. They create greater value for consumers by allowing them to draw from and provide to crowd using assemblages of building blocks that facilitate idiosyncratic goal pursuit. This is important for brands because it allows them to counter the intermediation through brand aggregation platforms by evading direct competition on their home turf and instead

establish a direct interface with consumers, developing relationships that go beyond discrete transactions. The outcome that is consumer platform relationships. The relationships that emerge from flagship platforms reflect focal outcomes of brand platformization efforts because they determine how brands can leverage platforms strategically.

By relationships, we denote the possible states that consumers may enter in their interactions with brands flagship platforms and that vary in terms of their self-relevance, commitment and durability. As consumers interact with platform participants through crowdsourcing and sending activities, the nature of these interactions shape the relationship state that emerge. This effect develops in two steps. The first is consumer crowdsourcing and sending intensifies as relationship determinants.

The second is aligning consumer platform relationship with brand goals. The first step establishes the general link between the consumer processes of crowdsourcing and sending on the one hand and the consumer platform relationship on the other. The nature of interactions on brand flagship platforms varies by the intensity of consumer crowdsourcing and sending and that this intensity increases as consumer use the platform to pursue higher level goals. This intensity in terms affect consumer platform relationships on the spectrum from discrete exchange rate transaction to versatile ongoing interactions. More intense crowdsourcing and crowd sending moves the needle towards the versatile end of the spectrum that is increasingly profound relationships that culminate in a deep embeddedness of the platform in consumers life. The second step separates crowdsourcing and crowd sending intensities to constitute key dimensions of a typology of archetypal relationship states.

This step helps brand analyze specific outcomes of their platform assemblage efforts. It directs which platform state brands should foster on their flagship platform to realize particular brand goals as well as which risks are involved. So, to conclude in this module we have discussed the emerging phenomena of brand platformization as a counter to brand aggregate platforms. Then we have discussed the five building blocks of brand platforms and the assembling of these blocks to give different types of brand platforms. And finally, we have discussed the decision process outcome framework of brand flagship platform formation. And these are the six sources from which the material for this module was taken. Thank you.