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How Private Equity Can Use AI to Evaluate Marketing Efforts

Artificial intelligence provides a cheat code to evaluate the marketing power of current and potential portfolio companies. [🔗](#)

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The private equity (PE) landscape is constantly evolving. Gone are the days when evaluating a portfolio company's potential was solely focused on financial performance. Today, more and more PE firms are turning to artificial intelligence (AI) to gain a cutting-edge advantage in understanding how well companies are performing from a marketing perspective. AI isn't just a buzzword; in this context, it's a cheat code for assessing the strengths and weaknesses of a company's sales and marketing efforts. And the best part? AI can help you fully tap into the subtleties of consumer psychology, particularly cognitive dissonance, to predict and enhance market performance.

Cognitive dissonance, a concept identified decades ago, refers to the mental discomfort experienced when holding conflicting beliefs or attitudes. There are many potential influencers of purchase decisions related to cognitive dissonance, from loss aversion to confirmation bias. The adage "what's old is new" rings true as these psychological insights become even more relevant in the AI-driven marketing world.

Let's dive into the five most powerful ways you can use AI to quickly evaluate how current or potential portfolio companies stack up.

1. Personalized marketing effectiveness

Why it matters: Personalization is no longer optional. Consumers expect brands to know them, understand them, and cater to their individual needs. Companies that excel in personalized marketing generate higher engagement and conversion rates.

AI's role: AI can analyze vast amounts of consumer data to create highly personalized marketing campaigns. Look at how a company segments its audience and tailors its messaging. Are they using AI tools to deliver personalized and market-tested content, recommendations, and offers?

Cognitive dissonance insight: Personalized marketing can reduce cognitive dissonance by aligning brand messages with consumer beliefs and values. For instance, addressing confirmation bias can validate and reinforce a consumer's existing beliefs, making them more likely to engage with and be more loyal to the brand.

2. Real-time adaptability

Why it matters: The market and marketing channels can change in an instant. Companies that can adapt their strategies in real time will outperform those that can't.

AI's role: AI enables real-time data analysis and response. Evaluate a company's ability to pivot their marketing efforts based on immediate consumer feedback and changing market conditions. Do they have automated systems in place to adjust campaigns on the fly?

Cognitive dissonance insight: By addressing consumer concerns and feedback in real-time, companies can mitigate dissonance related to immediate regret or buyer's remorse, enhancing customer loyalty.

3. Consumer behavior analysis

Why it matters: Understanding what makes consumers tick is crucial for crafting effective marketing strategies.

AI's role: AI excels at predicting consumer behavior through pattern recognition and data analysis. Assess how well the company uses AI to track and analyze consumer actions, preferences, and purchasing habits.

Cognitive dissonance insight: Anticipating and addressing points of cognitive dissonance, such as loss aversion—where consumers fear making the wrong choice or losing access to brand status—can improve the customer journey, making consumers feel understood and valued.

4. Ethical and transparent AI usage

Why it matters: Trust is a key component of brand loyalty. Misuse of AI like inaccurate or altered content can lead to breaches of trust and damage a company's reputation.

AI's role: Ensure the company is using AI ethically and transparently. This includes being clear about data collection practices, obtaining proper consent, protocols around content creation, and ensuring AI-driven decisions are fair and unbiased.

Cognitive dissonance insight: Ethical AI practices build consumer trust, reducing dissonance by aligning company actions with consumer expectations. Transparency in AI usage can address ethical dissonance, where consumer and employee values may conflict with perceived company practices.

5. Comprehensive performance metrics

Why it matters: You can't improve what you can't measure. Comprehensive performance metrics provide a clear picture of what's working and what's not.

AI's role: AI can provide deeper insights into marketing performance by analyzing a broader range of metrics. Look beyond traditional KPIs like customer acquisition cost (CAC) and lifetime value (LTV). Consider how AI can help measure engagement,

Cognitive dissonance insight: Performance data can reveal areas where cognitive dissonance can measurably boost consumer trust and influence purchase decisions in favor of your brand. For example, marketers that understand bandwagon effect dissonance generate high performance marketing campaigns that communicate a clear and credible perception that everyone is buying your product. And it is well documented that consumers often make purchase decisions based on the "herd mentality" and social proof.

Final words

In the rapidly evolving world of sales and marketing, AI isn't just a tool; it's a game-changer. By leveraging AI, PE firms can gain a deeper, more nuanced understanding of how well their current and prospective portfolio companies are performing in the market. From personalized marketing to real-time adaptability, consumer behavior analysis, ethical AI usage, and comprehensive performance metrics, AI offers a robust framework for evaluation.

Cognitive dissonance might seem like a small piece of the puzzle, but it's a powerful, proven force in consumer decision making. By understanding and addressing it, companies can reduce friction in the customer journey and build stronger, more loyal relationships.

So, if you're ready to unlock the potential of your portfolio companies, it's time to embrace the AI cheat code for PE firms. Dive deep into these five areas, and you'll be well-equipped to evaluate—and enhance—their marketing efforts with confidence.