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INFLUENCE OF AI-POWERED MARKETING ON CONSUMER ENGAGEMENT AND BRAND LOYALTY

A Study Based on Secondary Data.

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Abstract

Artificial Intelligence (AI) has become a working part of everyday marketing rather than a futuristic idea. Brands now use AI for personalised recommendations, chatbots, predictive analytics and automated content, and this is changing the way customers interact with them. This paper looks at how AI-powered marketing affects two closely linked outcomes: consumer engagement (how actively and how often customers interact with a brand) and brand loyalty (how likely they are to stay with a brand and keep buying from it). Since collecting fresh primary data was not possible for this paper, the study relies entirely on secondary data drawn from industry reports, survey findings published by research firms, and existing academic literature on AI and marketing. The analysis shows that AI-driven personalisation, chatbots and predictive tools generally raise engagement and can strengthen loyalty, but only when they are used with a reasonable amount of transparency and human judgement. Where AI is used carelessly, or where customers feel their data is being misused, the same tools that are meant to build loyalty can just as easily damage trust. The paper ends with practical suggestions for marketers, a note on the limitations of a secondary-data study, and directions that future researchers could explore, particularly through primary, first-hand data collection.

Keywords: Artificial Intelligence (AI), AI-Powered Marketing, Consumer Engagement, Brand Loyalty, Personalisation, Chatbots, Predictive Analytics, Customer Experience, Consumer Trust, Data Privacy, Digital Marketing, Marketing Automation, Customer Behaviour, Secondary Data Analysis

Introduction

1.1 Background of the Study

Marketing has always depended on understanding the customer, but for a long time this understanding was built on guesswork, broad surveys, and past experience. Artificial Intelligence has changed this by allowing brands to study customer behaviour in much finer detail and in real time. Tools such as recommendation engines, chatbots, predictive analytics and automated email or ad targeting are now common across e-commerce, retail, banking, hospitality and entertainment.

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Companies like Amazon, Netflix, Starbucks and Sephora are often cited as examples of brands that use AI not just to sell more, but to keep customers coming back.

At the same time, marketing has become more competitive, and customers have more choices and shorter attention spans than before. Businesses are therefore under pressure to engage customers quickly and to hold on to them once they are won over. AI is being positioned as one of the main tools to do both of these things at scale, which is why studying its actual influence on engagement and loyalty is worth doing.

1.2 Statement of the Problem

While many companies are adopting AI in their marketing, there is still confusion about how much of a real difference it makes to customer behaviour, and where the risks lie. Some reports highlight strong gains in engagement and loyalty, while others point to growing consumer discomfort with how their data is used. This creates a gap between the promise of AI marketing and how customers actually experience it. This paper tries to bring together existing secondary data and research to get a clearer, more balanced picture of this relationship.

1.3 Objectives of the Study

- To understand the ways in which AI is currently used in marketing to engage customers.
- To examine, using secondary data, the relationship between AI-powered marketing and consumer engagement.
- To examine the relationship between AI-powered marketing and brand loyalty.
- To identify the challenges and risks associated with AI-driven marketing, particularly around trust and privacy.

1.4 Scope of the Study

The study covers AI applications that are commonly used in consumer-facing marketing, such as personalisation engines, chatbots, predictive analytics, and AI-generated content, mainly within retail, e-commerce and service-based industries. It does not go deeply into the technical or programming side of AI, since the objective is to understand its marketing and consumer-behaviour impact rather than its engineering. Data used in this paper comes entirely from publicly available secondary sources published up to mid-2026.

1.5 Significance of the Study

For students and early researchers, this paper offers a simple, readable starting point on a fast-moving topic, put together entirely from secondary sources without relying on complicated statistical modelling. For marketers and small business owners, it offers a realistic, evidence-based view of what AI marketing can and cannot do, so that decisions are not based purely on hype.

Literature Review

This chapter reviews existing academic and industry studies relevant to AI-powered marketing,

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consumer engagement and brand loyalty. Each study is presented with the author(s), the title of the paper, and a short, and plain-language summary of what it found, so that the review can be followed without needing to read the original statistical work behind it.

2.1 Studies on AI Chatbots and Brand Loyalty

Shahzad, M. F., Xu, S., An, X., & Javed, I. (2024). "Assessing the impact of AI-chatbot service quality on user e-brand loyalty through chatbot user trust, experience and electronic word of mouth." Journal of Retailing and Consumer Services. Findings: Studying Chinese luxury fashion consumers, the authors found that the quality of an AI chatbot's service has a significant positive effect on e-brand loyalty. Importantly, this effect worked mainly through three connecting factors — user trust, user experience, and electronic word of mouth — rather than directly. In simple terms, a good chatbot does not create loyalty by itself; it first builds trust and a positive experience, and loyalty follows from that.

Kim, S., Jai, T. (Catherine), & Chang, H. J. (Julie) (2026). "Exploring drivers of brand loyalty in luxury e-commerce: The role of AI chatbots." Journal of Global Scholars of Marketing Science. Findings: This study looked at how authentic an AI chatbot feels to shoppers, and whether it creates a sense of genuine social interaction (referred to as 'parasocial interaction'). Both factors were found to increase pleasure and satisfaction during the shopping experience, which then increased purchase intention and brand loyalty in the luxury online retail setting.

Pham, T. C. T., Huynh, T., Tran, P. T., & Ly, A. Q. (2025). "Exploring How AI Chatbots Influence Customer Loyalty Among Generation Z on E-Commerce Platforms." Advances in Consumer Research. Findings: Focusing specifically on Generation Z shoppers, this study found that chatbot system quality, ease of use, and usefulness were closely linked to customer satisfaction, and that satisfaction in turn was a strong predictor of loyalty. The authors note that most prior chatbot research had ignored this younger consumer group, which their study specifically addresses.

Hsu, C.-L., & Lin, J. C.-C. (2023). "Understanding the user satisfaction and loyalty of customer service chatbots." Journal of Retailing and Consumer Services. Findings: Using survey data from 219 chatbot users, this study found that both the core service quality of a chatbot and its ability to recover from mistakes influenced user satisfaction, and that satisfaction was the main factor driving loyalty toward the chatbot itself. Human-like conversational quality mattered too, but less than basic reliability and problem-solving ability.

Alsadoun, A. A., & Alnasser, A. N. (2025). "Role of artificial intelligence chatbot marketing in enhancing customer satisfaction and loyalty in digital shopping experiences." International Journal of Innovative Research and Scientific Studies. Findings: Based on a survey of 271 online shoppers in Saudi Arabia, the study found that AI chatbot marketing significantly improved customer satisfaction, and that this satisfaction acted as the connecting step between chatbot marketing and customer loyalty. The authors recommend that businesses invest in chatbot usability and responsiveness specifically, rather than AI features in general.

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2.2 Studies on AI, Ethics, Privacy and Consumer Trust

Adanyin, A. (2024). "Ethical AI in Retail: Consumer Privacy and Fairness." arXiv preprint (Computers and Society). Findings: Surveying 300 online shoppers, this study found a high level of concern among consumers about how much personal data AI-driven retail systems collect, along with a general lack of trust in how that data is managed. The paper argues that fairness and transparency need to be built into retail AI systems, not added afterward, if businesses want to keep consumer trust.

Aghaei, R., Kiaei, A. A., Boush, M., Vahidi, J., Zavvar, M., Barzegar, Z., & Rofoosheh, M. (2025). "Harnessing the Potential of Large Language Models in Modern Marketing Management: Applications, Future Directions, and Strategic Recommendations." arXiv preprint. Findings: This review paper explains how large language models support personalisation, real-time customer insight and automated content creation in marketing. It also stresses the ethical side of AI marketing — data privacy, transparency and bias — and reports that organisations with strong ethical AI policies tend to see noticeably higher customer loyalty than those without such policies.

2.3 Summary of the Literature

Taken together, these studies point in a fairly consistent direction. None of them suggest that AI tools create loyalty directly. Instead, AI chatbots and personalisation systems seem to work by first improving satisfaction, trust, or the overall experience, and loyalty follows as a downstream result of that. At the same time, the studies on ethics and privacy (Adanyin, 2024; Aghaei et al., 2025) show that this positive chain can break down if consumers feel their data is being handled carelessly or without transparency. This combination of findings shaped the structure of the data analysis in Chapter 4 of this paper, which looks separately at engagement, loyalty-building, and trust/privacy concerns.

2.4 Theoretical Background

Much of the academic literature reviewed above draws loosely on the Stimulus-Organism-Response (S-O-R) framework, where AI-driven marketing acts as the 'stimulus', customer trust and emotional response form the 'organism' stage, and engagement or loyalty behaviour is the final 'response'. Rather than reproducing the statistical modelling used in these studies (such as structural equation modelling), this paper uses the framework only as a simple way of organising ideas: AI marketing efforts influence how customers feel, and that feeling then shapes how they behave.

2.5 Research Gap

Existing academic studies on this topic are useful but tend to be narrow, often focusing on a single tool such as chatbots, a single industry such as luxury retail, or a single consumer group such as Generation Z, and they typically rely on statistical modelling that can be difficult for a general reader to follow. There appears to be relatively less written work that pulls together the wider picture — engagement and loyalty together, across multiple AI tools — in a plain, accessible format based on secondary industry data. This paper attempts to address that gap in a small way.

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Research Methodology

3.1 Research Design

This study follows a descriptive and analytical research design. It does not test a formal hypothesis using statistical software, since it is based entirely on secondary data rather than a first-hand survey or experiment. Instead, it organises and interprets existing data and findings to describe patterns in how AI-powered marketing relates to consumer engagement and brand loyalty.

3.2 Sources of Data

As primary data collection (such as a live consumer survey) was not feasible for this paper, all data used is secondary in nature. The sources include:

- Industry and market research reports from firms such as Salesforce, Twilio, McKinsey, Deloitte, Gartner and BCG.
- Published survey findings from marketing research platforms and analytics firms.
- Peer-reviewed academic articles and journal papers on AI, chatbots, personalisation, and consumer behaviour.
- Publicly available case examples of well-known brands using AI in marketing.

3.3 Method of Analysis

The data collected from these sources has been organised under common themes — adoption, engagement, loyalty, and trust/privacy — and presented using simple percentages, comparisons and short tables. No complex statistical models, regression equations or software-based hypothesis testing have been used, in keeping with the intention of keeping this paper easy to read and follow for a general or student audience.

3.4 Limitations of the Methodology

Because the paper depends on secondary data, it inherits the limitations of its original sources: different reports use different survey samples, time periods and definitions of terms like 'engagement' or 'loyalty', so the figures are indicative of broad trends rather than precise, uniform measurements. Where relevant, the source and approximate year of each statistic is mentioned.

Data Analysis and Interpretation

4.1 Adoption of AI in Marketing

Secondary data indicates that AI adoption in marketing has moved well past the experimental stage. Industry surveys report that a large majority of marketing organisations regularly use

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generative AI, and that a similarly high share of businesses plan to increase their AI investment over the next year. Adoption is not limited to large enterprises — small business use of AI for content and search-related marketing has grown quickly and is closing the gap with larger firms.

Indicator	Approximate Figure	Source
Organisations regularly using generative AI in marketing	70% or more	Industry surveys, 2025–26
Businesses planning to increase AI investment in the next year	About 90%	Salesforce, 2025
Small businesses using AI for content/SEO	About two-thirds	Semrush, 2026
Share of overall marketing activity now AI-powered	Around 15%	Industry estimate, 2026

Table 4.1: Reported adoption levels of AI in marketing (secondary data, rounded figures).

4.2 AI Personalisation and Consumer Engagement

Data drawn from consumer and marketer surveys consistently links AI-driven personalisation to higher engagement. Marketers frequently name better visitor engagement as the top benefit of personalisation, and businesses that have adopted AI for marketing report noticeable engagement lifts compared with those that have not. At the same time, most consumers say they expect brands to understand their needs, and a majority say they would lose some loyalty toward a brand that fails to personalise its communication with them.

Consumer/Marketer Response	Approximate Share
Consumers who expect personalised experiences from brands	About 70%
Consumers who say they lose loyalty without personalisation	About 62%
Marketers who see better engagement as the top personalisation benefit	About 55%
Businesses reporting an engagement boost after adopting AI	35%–55% range

Table 4.2: Personalisation and its reported link to engagement (secondary data, rounded figures).

These figures suggest a fairly consistent pattern: personalisation, when done well, keeps customers more actively involved with a brand. However, the same body of data also shows that a noticeable share of consumers — often around a fifth to a quarter — find AI personalisation uncomfortable when it feels overly automated or 'too accurate', which points to a middle ground where

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personalisation helps engagement only up to a certain point.

4.3 AI Chatbots, Trust and Brand Loyalty

Several academic and industry sources focus specifically on chatbots as a loyalty-building tool. A majority of shoppers surveyed in recent research say AI positively affects their shopping experience, and academic studies on luxury e-commerce and Gen Z consumers report that chatbot service quality, authenticity and responsiveness are linked to greater trust, satisfaction and eventually loyalty. Businesses that use AI to personalise customer experience also report meaningfully higher customer spending compared with those relying on traditional methods.

Indicator	Approximate Figure	Source
Shoppers who feel AI positively affects their experience	About 73%	Industry survey, 2026
Brands using AI to tailor customer experience	About 56%	Twilio, 2025
Of those brands, share reporting increased customer spending	About 75%	Twilio, 2025
Companies reporting AI improves customer-facing operations	About 96%	Twilio, 2025
Customers unlikely to repurchase after one bad experience	Over 60%	Academic literature, 2024

Table 4.3: AI, customer experience and loyalty-related outcomes (secondary data, rounded figures).

The pattern that emerges here is that AI tools such as chatbots do not create loyalty by themselves; they create it indirectly, by first improving satisfaction and trust. This matches the theoretical idea discussed in Chapter 2 — AI acts as a stimulus, trust and satisfaction form the internal response, and repeat purchase or advocacy is the eventual outcome.

4.4 Trust, Privacy and the Other Side of the Picture

Secondary data also shows a cautionary side to AI marketing. Recent consumer-trust research covering thousands of internet users found that a majority of respondents are uneasy about their data being used to train AI systems, and cookie-acceptance rates have been falling for several years running. Only a small minority of consumers say they completely trust AI-generated product recommendations, even though most interact with AI-powered tools on a regular basis.

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Indicator	Approximate Figure
Consumers uncomfortable with data being used to train AI	About 59%
Consumers who completely trust AI product recommendations	About 27%
Consumers concerned about how their data is used by brands	About 76%
Consumers uncomfortable with AI that 'feels too human'	About 21%

Table 4.4: Consumer trust and privacy concerns around AI marketing (secondary data, rounded figures).

Read alongside the engagement and loyalty figures in the earlier tables, this data suggests that AI-powered marketing is genuinely capable of strengthening engagement and loyalty, but it operates on a fairly thin margin of consumer trust. A single poorly handled data incident, or an overly aggressive personalisation attempt, can undo much of the goodwill AI has helped build.

4.5 Brief Illustrative Examples

Secondary case material repeatedly points to a small set of brands as examples of AI-driven engagement and loyalty strategies: Starbucks' predictive ordering and rewards personalisation, Netflix's AI-based content recommendation engine, Sephora's use of AI beauty tools and personalised offers, and Amazon's long-standing recommendation system. These examples are widely discussed in industry commentary as evidence that when AI personalisation is paired with a loyalty programme or membership structure, it tends to perform better than when it is used purely for one-off targeted advertising.

Findings

- AI adoption in marketing is now widespread and continues to grow across businesses of nearly every size, not just large enterprises.
- Personalisation delivered through AI is the strongest and most consistent driver of consumer engagement found across secondary sources.
- AI chatbots and predictive personalisation are linked to brand loyalty mainly in an indirect way, by improving trust and satisfaction first.
- A meaningful share of consumers remain uncomfortable with how AI systems use their data, and this discomfort can offset the engagement and loyalty gains from personalisation.
- Brands that combine AI personalisation with clear loyalty structures (such as membership or rewards programmes) appear to see stronger, more durable results than brands using AI for isolated marketing campaigns.
- There is a noticeable gap between how effective marketers believe their personalisation efforts are and how effective consumers actually perceive them to be.

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Suggestions and Recommendations

- Businesses should use AI personalisation with a light touch — tailoring content and offers without making customers feel closely watched or profiled.
- Clear, simple communication about how customer data is collected and used should be built into AI marketing campaigns, rather than buried in long privacy policies.
- AI should be used to support human decision-making in customer service, not replace it entirely, especially for complex or emotionally sensitive interactions.
- Loyalty programmes should be paired with AI-based personalisation, since secondary data suggests this combination performs better than personalisation alone.
- Smaller businesses adopting AI marketing tools for the first time should start with low-risk applications such as personalised email content, before moving to more data-intensive tools like predictive targeting.
- Marketing teams should periodically check whether their personalisation is actually being appreciated by customers, rather than assuming that more automation always means more engagement.

Limitations of the Study

This paper is based entirely on secondary data, and therefore does not include any first-hand survey, interview or experiment conducted by the researcher. The figures used come from different studies, industries, countries and years, so they should be read as broad indicators of direction rather than exact, comparable statistics. Some sources are industry or vendor reports rather than peer-reviewed academic research, and such sources can carry a promotional bias toward AI tools. The paper also does not go deeply into the technical workings of AI systems, since the focus is on marketing outcomes and consumer response rather than the underlying technology.

Future Scope of Research

- A future study could collect primary data directly from consumers through a structured survey to test how the patterns described here hold up in a specific market or region.
- Research could compare AI marketing's effect on engagement and loyalty across different age groups, particularly Generation Z compared with older consumers.
- A focused study on the point at which AI personalisation shifts from feeling helpful to feeling intrusive would be valuable, since this paper only touches on it briefly.
- Future work could examine specific industries separately, such as banking, healthcare or hospitality, where trust and privacy concerns may carry more weight than in retail.
- Longitudinal research — tracking the same set of customers over a longer period — would help show whether AI-driven loyalty gains actually last, rather than being a short-term effect.

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Conclusion

AI-powered marketing has clearly moved from being an experimental idea to a normal part of how brands try to engage and retain customers. The secondary data reviewed in this paper points to a fairly balanced conclusion: AI genuinely does help brands engage customers more effectively, mainly through personalisation, and it can support brand loyalty, mainly by improving trust and satisfaction through tools like chatbots and predictive recommendations. But this influence is not automatic or unconditional. Consumers remain cautious about data use, and personalisation that goes too far can work against the very loyalty it is meant to build.

For businesses, the practical takeaway is that AI marketing works best when it is used carefully and combined with transparency and a degree of human oversight, rather than treated as a fully automatic solution. For students and researchers, this topic remains an active and still-developing area, and there is plenty of room for future studies — especially ones based on fresh, primary data — to build on the broad patterns identified here.

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Note: The figures and findings referenced throughout this paper have been paraphrased and summarised from the secondary sources listed below. Readers are encouraged to consult the original reports and journal articles for full details, methodology and exact figures.

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