

# Understanding the Consumer: AI-Driven Predictive Analytics and the Transformation of Purchasing Behavior

Iman Ali Jama<sup>1</sup>, Associate Prof. Dr. Aylin Erdođdu <sup>2</sup>,

<sup>1</sup>Department of Business Administration, Istanbul Arel University, Turkiye

<sup>2</sup>Department of Finance and Banking, Istanbul Arel University, Turkiye

<sup>3</sup>Arel University, Istanbul, Turkiye

## Abstract

The digital era has revolutionized marketing from a product-centric to a customer-centric approach. Understanding consumer behavior is no longer an indulgence; it is a requirement. Artificial intelligence (AI), with its remarkable predictive analytics features, is a game-changing asset to companies. This article analyzes the implications of utilizing Artificial Intelligence Systems in predicting consumer behavior and its impact on business strategies. The method used in this study is an investigation of actual cases of firms that have effectively used this technology. Case studies were conducted on several companies that have successfully implemented this technology to understand the context of their implementation and the benefits they derived. This paper also addresses the benefits and drawbacks of AI for consumer behavior prediction and ways to overcome these obstacles. Results revealed that implementing AI Technology in forecasting customer behavior can significantly improve product individualization, enhance marketing tactics, and provide profound insights into consumer preferences. While AI's potential in marketing is evident, it's crucial to emphasize the need for more study to fully comprehend its long-term implications on consumer psychology and establish safeguards against biased algorithms.

**Keywords:** Artificial Intelligence (AI), Predictive Analytics, Consumer Behavior, Buying Behavior, Marketing.

## **1. Introduction**

Marketing, over the years, has undergone a significant metamorphosis, transitioning from traditional approaches to embracing cutting-edge technologies like Artificial Intelligence (AI) (Rathore, 2017). Initially, marketing strategies revolved around direct mail, banners, and print advertisements (Nkome, 2023). As technology advanced, the era of digital marketing dawned, introducing new avenues such as digital advertising, social media, and email marketing. These innovative techniques not only allowed businesses to gather data on consumer interactions but also broadened their reach to a larger demographic, marking a progressive shift in the marketing landscape.

With the introduction of big data, marketers gained access to an immense quantity of knowledge about customer habits and preferences. Still, organizing and interpreting this data posed considerable difficulties (Li, 2023). This was the turning point where AI started to have a significant influence. AI technologies, such as natural language processing, machine learning, and artificial neural networks, have transformed the marketing world by facilitating the rapid and precise analysis of vast amounts of data (Haleem et al., 2022). Artificial Intelligence (AI) systems have substantially revolutionized several aspects of life, notably in the business realm. A crucial component for employing AI in business is its capacity to forecast consumer patterns. The study of consumer behavior is undoubtedly complicated and frequently presents obstacles to perception because of its constantly changing and numerous attributes. AI is increasingly being utilized as an effective tool in this environment to analyze large volumes of data, uncover hidden trends, and inspire trust via its capacity to make precise predictions about future consumer choices.

In the rapidly evolving digital era, businesses across sectors are increasingly relying on data to make strategic decisions. A deep understanding of consumer behavior is pivotal for organizations to succeed in designing marketing strategies, improving product offerings, and enhancing overall customer satisfaction (Adaga et al., 2024). However, the complexity of consumer data and the need to adapt to changing patterns quickly necessitate a more effective approach. Artificial Intelligence systems are not just a trend, but a competitive necessity in this digital era for assessing customer behavior. Moreover, AI can handle and analyze information swiftly and accurately, surpassing human capabilities. This empowers organizations to stay ahead of the competition and make more informed predictions about future customer choices.

## **2. Literature Review**

### **2.1 Evolution of Consumer Behavior and Marketing**

Consumer buying behavior, a key area of research, involves the actions and decision-making processes of individuals or organizations during the selection, purchase, use, and disposal of products and services. This research is vital for businesses committed to efficiently meeting consumer preferences and demands (Abdulkareem & Vasani, 2022). In the past, marketers relied on focus groups, surveys, and sales history to gain insights into customer buying habits.

While these methods were beneficial, they often required greater precision and immediacy. The game changed with the advent of digital technologies and the internet, which allowed for the accumulation of real-time data and the development of more profound insights into consumer preferences.

Additionally, various factors shape consumer purchasing behavior, including personal, societal, cultural, and psychological factors. Inspiration, awareness, learning, beliefs, and mindsets are some of the psychological factors. For example, Maslow's Hierarchy of Needs posits that consumers should prioritize fulfilling necessities before progressing to higher-level needs (Guo & Xiao, 2023). However, it is crucial to note that consumer behavior is not solely influenced by individual psychology. Societal variables, including family, reference groups, and social status, play a significant role in determining consumer behavior. Family members, particularly parents, can significantly influence purchasing decisions. Societal norms and peer groups also impact choices, especially among younger demographics—cultural factors, such as society's common ideals and practices, mold consumer preferences and behaviors (Guo & Xiao, 2023). Subcultures and social divisions present additional diversity strata that marketers must consider, highlighting the intricate web of influences on consumer choices.

Moreover, the power of personalization in marketing strategies is underscored by the fact that buying habits are significantly shaped by personal attributes, such as age, profession, lifestyle, and financial state. For instance, Netflix employs personalization to suggest programs and movies to viewers based on their prior viewing patterns, which leads to heightened viewer engagement and satisfaction (Osur, 2016). By understanding these personal factors, businesses can effectively tailor their marketing strategies, empowering them to target specific consumer segments with precision.

The advent of digital technologies has not just altered but revolutionized consumer purchasing behavior. The rise of e-commerce and online ordering has completely transformed traditional purchasing processes, offering consumers a wider selection, enhanced convenience, and often, lower prices. Online reviews and evaluations now hold significant sway over consumer decisions. The emergence of social media platforms as crucial channels for product discovery, reviews, and recommendations has dramatically improved consumer engagement and brand loyalty. The impact of social media is vividly demonstrated by the surge of influencer marketing, where brands collaborate with influential social media personalities to engage specific audiences. This transformation is further accelerated by the integration of AI and predictive analytics, providing businesses with more precise and actionable insights, and hinting at an exciting future of consumer behavior.

## **2.2 Artificial Intelligence (AI)**

Artificial intelligence refers to machines with human-like abilities such as critical reasoning, information acquisition, problem-solving, and logical evaluation. Specifically, 'artificial intelligence' refers to using algorithms, programs, computers, and systems that can be characterized as robots replicating human intellectual functions. AI encompasses technologies that enable intelligent robots to do tasks requiring human intelligence (Haroon et al., 2023).

The techniques included in this list are machine learning (ML), deep learning, natural language processing (NLP), and reinforcement learning. Every component plays a significant role in predictive analytics, transforming unprocessed data into valuable insights that affect decision-making processes across numerous industries.

**Machine learning (ML)** is a fundamental element of artificial intelligence. Machine learning is a tool in which systems learn from data to detect trends with minimal human intervention (Necula, 2023). The computer learns from examples of the previous scenarios and typically employs supervised or unsupervised methods. Under a supervised method, the system clearly defines an objective, often called an output or label, which it must accomplish. For instance, within a marketing framework, the result may be a classification indicating whether a buyer is likely to "purchase" or "not purchase" a product. This forecast might be derived from many elements, including the consumer's browsing history, previous transactions, demographic data, and interaction with marketing efforts. On the other hand, unsupervised learning does not specify any outcomes. Instead, the system is provided with a data set and must find patterns, relationships, or structures within that data (Shrirame et al., 2020).

Furthermore, businesses frequently implement regression testing, classification, and segmentation to anticipate consumer behavior. For instance, regression analysis enables organizations to predict future trends by analyzing the relationships between various factors. Machine learning algorithms can predict the items a consumer will purchase by analyzing historical data and their prior behaviors. This enhances the efficacy and efficiency of marketing strategies. Multiple-layer neural networks are employed in deep learning, a subset of machine learning, to simulate intricate data relationships. This technology is especially beneficial for tasks requiring high abstraction levels, such as speech and image recognition. Deep learning models are indispensable for medical imaging applications and autonomous driving, as they analyze images to identify objects. These models facilitate the operation of virtual assistants and enhance accessibility by converting spoken language into text in speech recognition. Furthermore, deep learning improves recommendation systems by comprehending complex patterns in consumer behavior and offering personalized recommendations that substantially increase customer engagement and satisfaction (Shrirame et al., 2020).

**Natural language processing (NLP)** is a predictive analytics tool that analyzes, examines, understands, and creates responses from platforms such as social media, reviews, and consumer feedback. The goal is to facilitate the interaction with systems via human languages rather than computer languages. NLP can assist businesses in assessing consumer feelings and viewpoints by determining the sentiment underlying a piece of text through sentiment analysis (Netsiri, 2023). Topic mapping enhances the structure and summarization of content by pinpointing the primary topics within a vast collection of documents. Classifying text into predefined labels is valuable for content filtering, service automated processes, and malware detection. Companies can enhance customer satisfaction and loyalty by customizing their marketing strategies based on consumer sentiments and preferences.

A prevalent application of NLP is the examination of tweets or evaluating websites to gather product feedback. For instance, an electronics company's marketing department may implement an advertising campaign to promote its recently introduced Power banks at an affordable price point. Based on sales, it may seem that it is performing well. A consumer may detest the product and turn to social media to express their dissatisfaction. By utilizing NLP technologies to assess the tweets and reviews, the company can comprehend the subject matter, the sentiment (positive, negative, or neutral), and the vibrant intensity of the discussion (as indicated by the words used in the tweets) (Darshan et al., 2024). While it is crucial to analyze text for marketing purposes, another application of natural language processing is the generation of languages that facilitate the interaction with systems that utilize human language. Natural language processing is employed by interactive applications, such as chatbots and other user-generated applications, to direct consumers to certain representatives determined by their status and prior conversations.

**Collaborative filtering** is a prevalent method used in recommendation algorithms to forecast what a user likes by examining the choices and actions of similar users. This approach can be categorized into two primary techniques: memory-based and model-based collaborative filtering. Memory-based collaborative filtering, a powerful technique, generates suggestions by considering the entire set of information users provide (Al-Ghuribi et al., 2023). It computes similarities between individuals or items using Pearson Correlation or Cosine Similarity indicators. For instance, if two customers named A and B have given similar ratings to many movies, a memory-based system can suggest movies that User B has liked. This system assumes that User A, who has not seen these movies, might also enjoy them. Model-based collaborative filtering, a testament to the power of machine learning, uses advanced techniques to develop a model based on customer input. This model is then used to make accurate predictions. For example, a model-based system can detect hidden features in a large dataset of user ratings. This capability allows the system to suggest items that align with these underlying preferences, demonstrating the significant potential of machine learning in recommendation algorithms.

The main objective of collaborative filtering is to present customized suggestions in settings with a wide range of choices, assisting users in managing excessive volumes of information. This is especially advantageous in e-commerce, media streaming, and social media sites. Collaborative filtering on online shopping sites such as Amazon examines customers' purchase histories and ratings to recommend goods that align with their preferences. If a user has acquired many science-based novels, the system might offer additional novels in this genre that other comparable users have found enjoyable.

**Reinforcement learning** is an artificial intelligence approach in which systems obtain optimal behaviors by continuously exploring many options and assimilating knowledge from the outcomes. It is particularly advantageous in rapidly changing circumstances that need prompt decision-making.

Reinforcement learning may be used in price adjustment to adapt prices according to the demand and availability of a product or service (Seseri, 2023). This contributes to the

optimization of profitability. Another use is in the realm of online advertising, where it aids in determining the best possible bid price for ad space and the target audience for displaying advertisements, hence enhancing the efficiency of ad expenditure. Using reinforcement learning enables organizations to swiftly enhance efficiency and revenues by continuously adjusting to changes and extracting insights from each activity.

### **3. Material and Method**

#### **3.1 Research Design**

This study utilizes a qualitative case analysis approach to investigate the implementation and positive effects of artificial intelligence (AI) in forecasting customer behavior and improving the business's method. This research seeks to gain a thorough knowledge of the impact of AI-driven analytics on operational efficiency and consumer engagement by performing in-depth case studies on four important companies: Amazon, Netflix, Walmart, and EasyJet.

#### **3.2 Sample Selection**

The study's sample consists of four major business leaders recognized for their groundbreaking applications of data analytics and artificial intelligence. We selected Amazon due to its innovative efforts in predictive analytics and consumer customization. Netflix's sophisticated data analytics skills in content suggestion and client retention led to its selection. Walmart's advanced supply chain analytics and EasyJet's AI-driven dynamic pricing strategies are also noteworthy. These companies encompass many sectors, including e-commerce, entertainment, the retail sector, and air travel, offering a wide range of insights into the uses of AI.

#### **3.3 Data Collection**

We gathered data from a variety of sources to ensure a thorough investigation. The main sources included scholarly publications, industry papers, case studies, and business reports. We obtained information from reliable resources like Google Scholar, JSTOR, IEEE Xplore, and official corporate websites. The search phrases used to find relevant literature were "predictive analytics case study," "Amazon predictive analytics," "Netflix data analytics," "Walmart supply chain analytics," and "EasyJet dynamic pricing." We extracted financial performance statistics, client retention rates, and revenue effects from business reports and verified their authenticity and dependability by comparing them with different sources.

### **4. Case Study Results**

#### **4.1 Amazon**

Since the beginning of the 2000s, Amazon has made use of data to generate customized suggestions, enhance sales strategies, predict client requirements, and efficiently handle

inventories. It does this by collecting massive amounts of personal information from its 200 million consumer accounts (Chaffey, 2023). This data encompasses the user's past browsing habits, previous purchases, search queries, feedback on products, and the duration of time spent visiting various product web pages. By evaluating this information, Amazon can detect recurring themes and patterns that contribute to the development of its prediction models. Advanced machine learning algorithms serve as the foundation for this data analysis, allowing Amazon to generate practical insights and make data-based decisions.

Amazon also utilizes the Collaborative Filtering Engine (CFE) as a crucial technology to provide tailored product suggestions by analyzing user activity (Hardesty, 2019). The CFE examines information, including recent purchases, items on the wish list, and items that users have seen or evaluated. It functions according to the premise that if two people have selected a similar item, they are likely to select other items as well. In addition, Amazon incorporates natural language processing (NLP) to comprehensively analyze and efficiently address consumer inquiries. Deep learning algorithms employ browsing habits and buying histories to provide highly tailored suggestions. For instance, if a user exhibits a regular pattern of purchasing limited edition watches, the system may proactively suggest recent watches on the market from multiple brands, even before the user actively searches for them. Customization drives approximately 35% of Amazon's sales, enhancing consumer satisfaction and promoting repeat purchases (Gavira, 2018).

Predictive analytics are also essential in Amazon's inventory management. Through the analysis of sales data, seasonal patterns, and other factors, Amazon can forecast the demand for numerous products and effectively control the amount of inventory. For instance, during holidays, predictive algorithms may anticipate a surge in popularity for certain gifts, enabling Amazon to proactively replenish its inventory to satisfy this heightened demand. Optimal inventory management minimizes storage expenses and prevents inventory shortages, enhancing operational efficiency and improving customer satisfaction. Furthermore, Amazon has a dynamic pricing system that changes prices many times per hour, considering variables such as buyer demand, competition charges, stock quantity, and buyer habits. This strategy guarantees that Amazon maintains its competitiveness while optimizing its revenue margins. For example, Amazon may lower the selling price of popular products during peak demand times, such as Black Friday, to entice a larger client base, while simultaneously raising the price of less popular goods by a small margin. Implementing flexible pricing has resulted in a significant increase of around 25% in Amazon's earnings. This approach enables Amazon to maintain affordable prices while maximizing its income (Hardesty, 2019).

Moreover, Amazon leverages predictive analytics to offer anticipatory delivery, which is a cutting-edge use of this technology. This system uses predictive algorithms to anticipate the goods consumers are most likely to buy and proactively dispatches these items to warehouses that are nearby. This decreases the amount of time it takes to deliver and improves customer feedback. For instance, if a client regularly purchases home essentials like towel rolls or laundry soap, Amazon may anticipate their next request and strategically place these products

at a nearby facility. This method guarantees prompt delivery, sometimes on the same day, which enhances consumer loyalty and encourages future transactions.

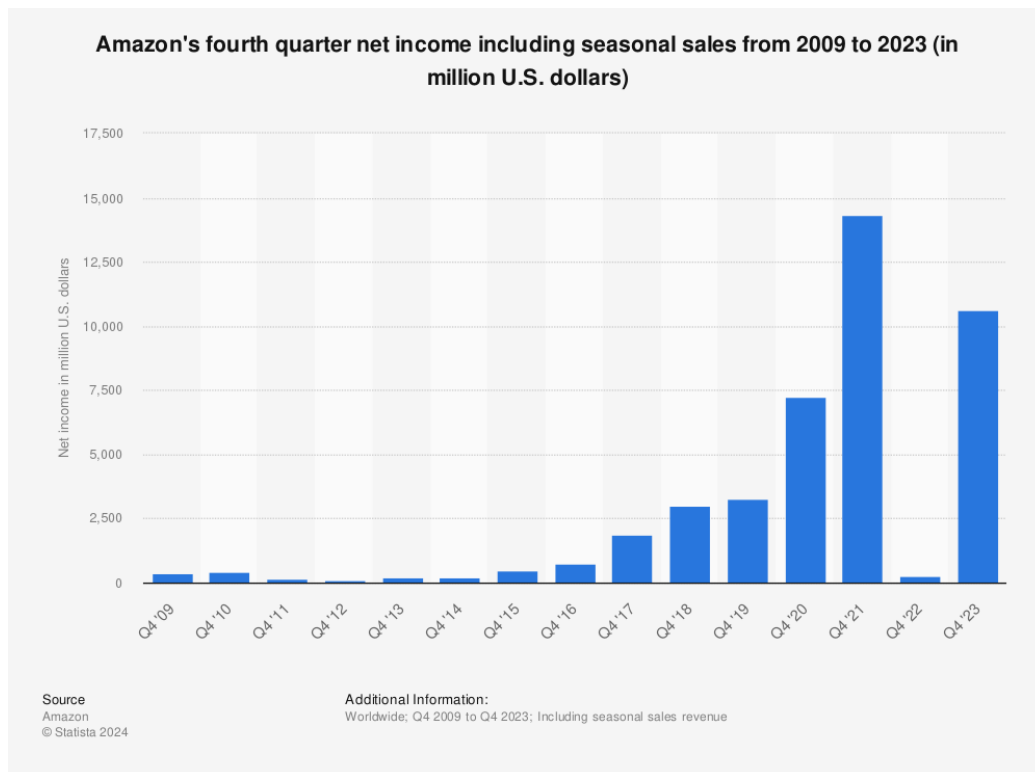


Figure 1 shows Amazon's net income from 2009-2023

## 4.2 Netflix

Netflix as a prominent global streaming platform has effectively employed predictive analytics to transform how it tailors content suggestions, enhances content creation, and boosts user loyalty. Netflix collects a lot of data from its users' interactions with the platform (Mixson, 2021). This data encompasses a wide range of valuable insights, such as viewing habits, keyword searches, ratings, and users' engagement with specific content. Through an in-depth examination of these data points, Netflix constructs detailed consumer profiles that encompass personal preferences and viewing habits. It then employs a combination of collaborative filtering and deep learning algorithms to analyze the collected data and identify patterns and preferences. While deep learning models design intricate patterns in viewing behavior, collaborative filtering assesses the actions of users with similar interests to make predictions. These cutting-edge machine learning models utilize extensive data to accurately anticipate the content users are most likely to watch in the future (Simplilearn, 2023).

The ongoing cultivation and adjustment of these models to incorporate fresh information enhances the precision of the recommendations. Due to its advanced algorithms, Netflix can offer tailored content suggestions in real time, making the viewing experience even more enjoyable. Netflix's recommendation engine plays a crucial role in its remarkable achievements. It effectively keeps users engaged and satisfied by recommending content that



aligns with their viewing history and preferences. For instance, the recommendation engine will suggest new releases or related genres to a sci-fi movie enthusiast. This tailored approach guarantees that individuals discover material that resonates with their passions, cultivating a stronger bond with the platform.

Moreover, Netflix utilizes predictive analytics to make informed decisions regarding its content production, in addition to providing personalized recommendations, Netflix can anticipate which new shows or movies are likely to strike a chord with its viewers. For example, the data that showed a significant interest in sci-fi and content that evokes nostalgia played a crucial role in Netflix's choice to create original series such as "Stranger Things" (Menezes et al., 2023). The success of such productions clearly shows the effectiveness of using predictive analytics to inform content creation. By analyzing user preferences and viewing patterns, Netflix can provide personalized content recommendations that actively keep users engaged. This active involvement is essential for decreasing customer turnover and keeping subscribers. Netflix guarantees the satisfaction of its users by consistently providing up-to-date and pertinent content, which is critical for achieving long-term industry success (Menezes et al., 2023).

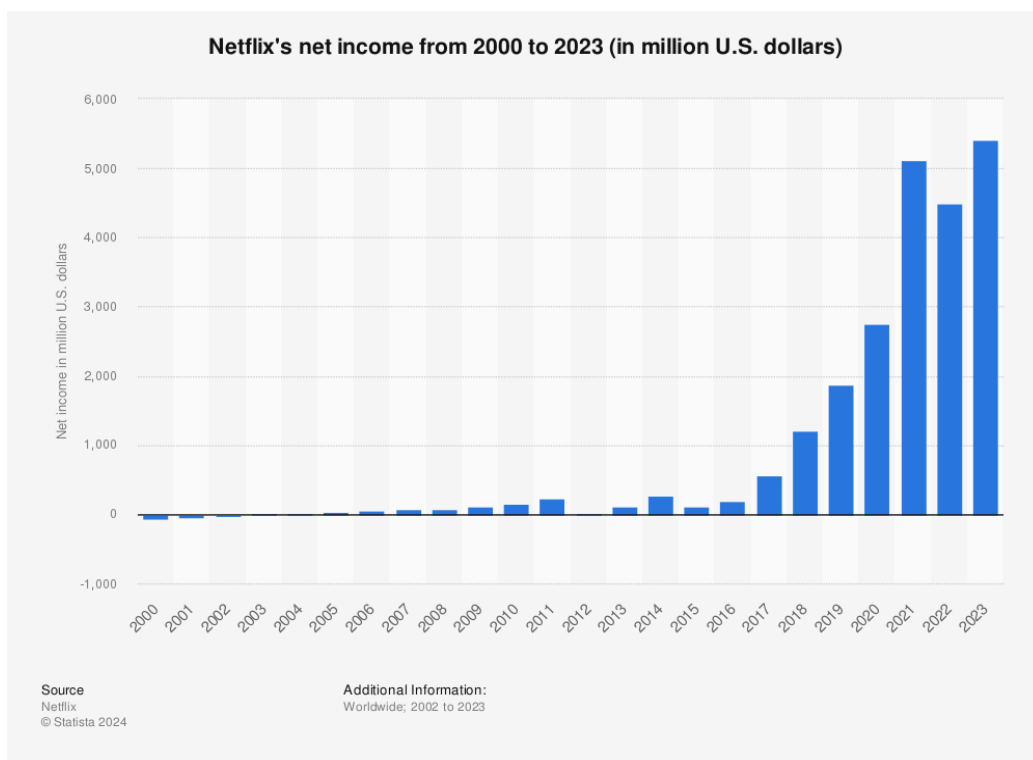


Figure 2 shows Netflix's net income from 2000-2023

### 4.3 Walmart

Walmart as a leading retailer worldwide has successfully applied predictive modeling to modernize its operations, improve customer relationships, and stimulate company expansion. Walmart accumulates extensive information from multiple locations, including point-of-sale

transactions, internet sales, consumer interactions, and supply chain operations (Shenhao, 2024). This dataset includes information on consumer buying patterns, product choices, stock quantities, and even interactions on social media platforms. Analyzing these many data points may help gain an extensive understanding of consumers.

Moreover, Walmart utilizes sophisticated analytical methods and machine-learning algorithms to analyze and understand the data it collects. For instance, it employs predictive models to examine past sales data and external variables such as climate trends and economic indicators to anticipate product demand (Weinstein et al., 2021). This strategy effectively controls inventory levels, guaranteeing the availability of high-demand items while reducing surplus stock. Additionally, customer segmentation implements this strategy by dividing customers based on their buying behavior and preferences. This enables the customization of advertising tactics and promotions for different customer groups, thereby improving the pertinence and efficacy of marketing endeavors. In addition, Walmart employs dynamic pricing algorithms to modify rates instantly, considering variables such as demand, competition pricing, and inventory levels. This strategy enables Walmart to maintain its competitiveness while optimizing its profit margins.

Inventory management is another crucial use of predictive analytics. By predicting the demand for different items, Walmart can strategically manage its inventory levels to efficiently satisfy consumer requirements without overstocking. This lowers storage expenses and reduces the possibility of running out of products. For example, predictive algorithms may forecast increased demand for certain gifts during the holidays. This prompts Walmart to expand its inventory to satisfy consumer demand proactively. In addition, Walmart's inventory management system utilizes predictive analytics to enhance the effectiveness of its supply chain (Weinstein et al., 2021). By examining data on supplier efficiency, shipping timeframes, and storage operations, Walmart can spot possible obstacles and improve the efficiency of the shipment of items from suppliers to shops.

Walmart's commitment to customer satisfaction is further exemplified by its use of predictive analytics to provide tailored promotions and suggestions. Tracking consumer purchase history and browsing activity, Walmart can offer personalized product recommendations that align with individual interests. For instance, if a customer frequently purchases organic food products, Walmart's technology might suggest new organic items or relevant deals. Moreover, Walmart's mobile application and website utilize predictive analytics to personalize the shopping experience. Features such as customized product suggestions, personalized promotions, and targeted advertisements ensure that customers receive relevant and engaging content, thereby enhancing their overall shopping experience.

Predictive analytics also enhances Walmart's operational efficacy. Walmart can improve customer service and reduce waiting periods by managing store operations based on store traffic patterns, personnel levels, and transaction times (Olaniyi et al., 2023). Predictive models, for instance, can anticipate peak purchasing hours, enabling Walmart to allocate personnel more efficiently and staff checkout lanes adequately. Predictive analytics also

benefit Walmart's logistics and distribution networks. Walmart can improve its delivery speed and reduce costs by optimizing its distribution network based on transportation routes, petroleum costs, and delivery timeframes. This ensures the most efficient delivery of products to both customers and merchants.

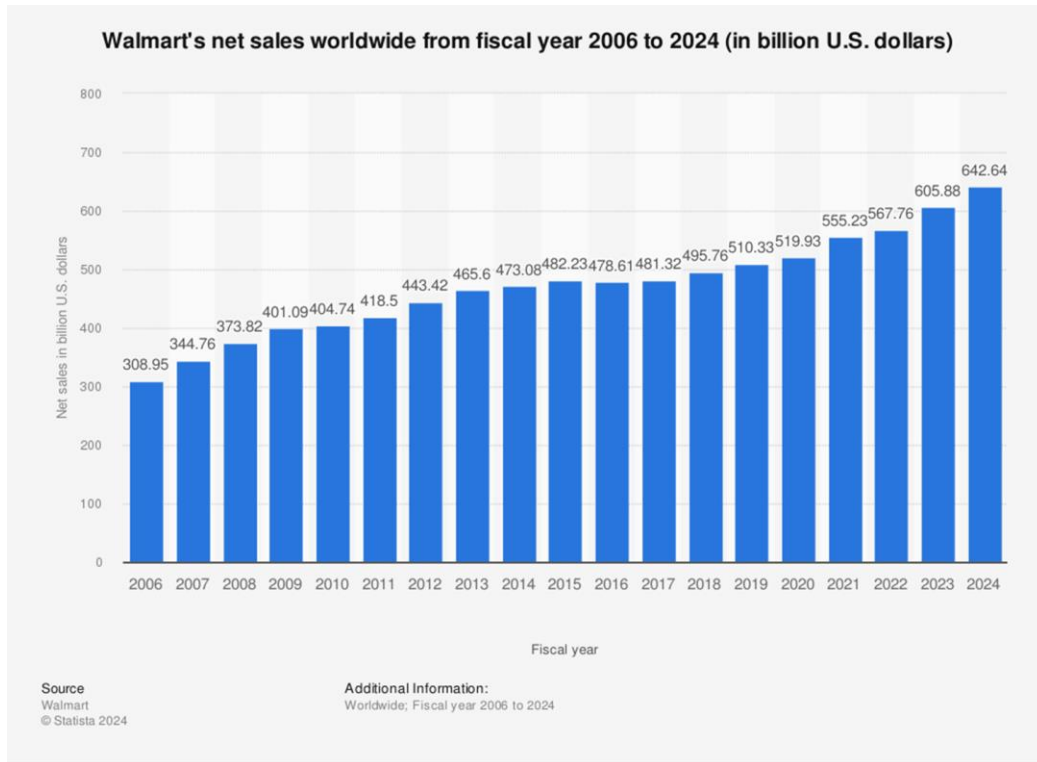


Figure 3 shows Walmart's net sales from 2006-2024

#### 4.4 EasyJet

EasyJet, an influential affordable airline in Europe, has significantly adopted predictive modeling to improve its processes, promote customer relationships, and stimulate company development. The Airline collects massive amounts of data from various sources, including airline operations, customer interactions, passenger reservations, and external variables such as atmospheric conditions (Masouras et al., 2020). This information includes maintenance documents, consumer tastes, flight cancellations, and booking routines. By examining these broad findings, EasyJet can comprehensively understand consumer behavior and operational success. Predictive modeling significantly impacts EasyJet's flight operations and upkeep. EasyJet can improve its flight itineraries to guarantee the successful use of its aircraft by anticipating customer interest in various routes. For example, EasyJet may increase the average number of trips on specific routes during prime travel periods if predictive models predict a high demand for those destinations. EasyJet also implements predictive analytics to optimize aircraft maintenance (Masouras et al., 2020). EasyJet can anticipate probable technical problems before their occurrence by accessing information gathered by aircraft sensors and maintenance records. This preemptive repair plan lowers the risk of in-flight malfunctions, minimizes delay, and guarantees the safety and reliability of the aircraft.

EasyJet maximizes its consumer experience by offering specific amenities and recommendations using automated forecasting. Examining customer booking history and preferences, EasyJet can provide personalized travel recommendations, including specialized promotions, preferable seating choices, and extra luggage allowances. For instance, EasyJet's system may suggest related travel services or provide discounts on future flights to a specific destination if a passenger frequently travels there. Furthermore, EasyJet's mobile application and website implement predictive analytics to customize the booking process. Personalized flight recommendations, tailored travel offers, and targeted advertisements guarantee that customers receive pertinent and captivating content, improving their overall travel experience. Predictive analytics also enhances EasyJet's operational efficacy. EasyJet can improve its on-time performance and minimize delays by optimizing its operations by analyzing flight schedules, passenger loading, and airport operations data. For instance, predictive models can anticipate peak travel periods, enabling EasyJet to allocate resources more efficiently and guarantee the seamless operation of airports. Predictive analytics also benefits EasyJet's logistics and ground handling operations. EasyJet can improve customer service and reduce delays by optimizing its ground operations based on cargo handling, boarding processes, and turnaround times. This guarantees that flights depart and arrive punctually, improving passengers' overall travel experience (Wilson et al., 2016).

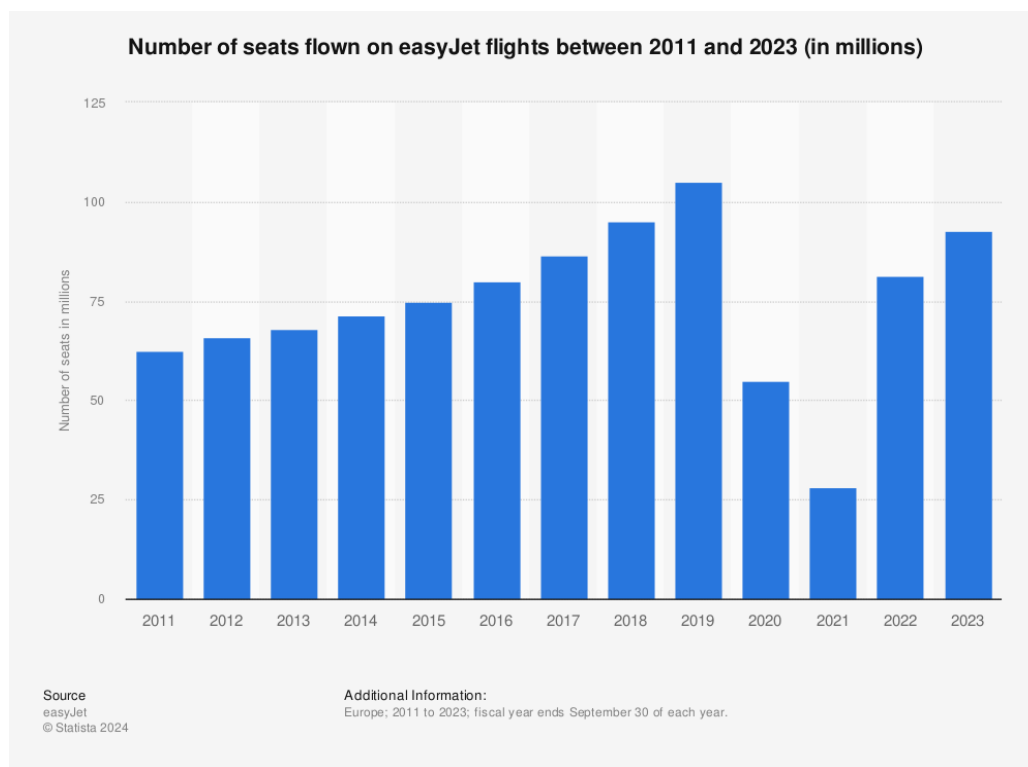


Figure 4 shows the number of seats on EasyJet flights between 2011-2023

## 5. Discussion

As the data clearly shows, predictive analytics has a significant impact on the net revenue of these companies. Amazon, for instance, demonstrated a substantial increase in its net revenue due to its strategic decision to diversify its business model. This includes incorporating online purchasing, Amazon Web Services, advertising, and subscription services. In addition to that, Amazon's fourth-quarter net income from 2009 to 2023, with a significant peak in Q4 2020 and Q4 2021, illustrated the direct correlation between strategic decisions and financial performance. This is Shown in Figure 1. Moreover, Netflix's growth in net revenue is a clear result of its customer-centric approach. The company's subscriber base and creative content strategy have played a significant role in its financial success. Figure 2 charts Netflix's net income from 2000 to 2023, showing a steady increase over time, with notable peaks in recent years. Netflix's strategic international expansion and personalized program recommendations, which have attracted over 230 million subscribers and maintained an impressive retention rate of 87%, are a testament to their commitment to understanding and meeting the needs of their customers.

Walmart also has consistently illustrated a rise in net revenue, as shown in Figure 3, which displays Walmart's global net sales from the fiscal year 2006 to 2024. This demonstrates the robustness of its retail and e-commerce activities. Walmart has retained many customers and attracted new ones because of its low pricing and tailored customer service. One of its efforts, Walmart+, has contributed to this success. Furthermore, EasyJet's excellent flight operations and tailored travel advice have considerably raised customer happiness and retention, drawing in fresh passengers with reasonable prices and a more comprehensive route network. The airline's net income has risen substantially, with the number of seats flown between 2011 and 2023 indicating a trend. Figure 4.

Furthermore, the application of predictive analytics has strengthened these firms' global standing. Amazon maintains a robust e-commerce and cloud computing presence, consolidating its position via substantial sales and net income increases. Netflix remains dominant in the worldwide streaming service industry, enormously impacting viewers' preferences and content consumption. In addition, Walmart is a prominent multinational retailer with a significant presence in several nations, owing to its extensive market coverage and ongoing consumer involvement. Moreover, EasyJet is a well-known participant in Europe's low-cost airline industry. It is known for its vast network of routes and efficient operations, strengthening its market position after the pandemic.

However, despite AI's advancement, it cannot perform some tasks. For instance, AI's inability to fully grasp emotions and comprehend human behavior is a significant constraint. Additionally, grasping consumer behavior and profitable predictions requires a profound understanding of human motives and emotions, which AI cannot fully articulate with the same level of subtlety as humans. Although AI can collect and analyze data, it cannot discern complex human actions and emotions. For example, an analyst may perceive a customer's unhappiness via subtle indications, a task that is now beyond the capability of AI.

AI's efficacy is dependent on the availability of large amounts of high-quality data. Data gathering and analysis are essential to consumer research and strategic insights. While the models can automate some processes, they primarily depend on human expertise to provide vital, accurate information. In addition, it is ineffective in focus groups and surveys, which analysts often employ to gather data. Thus, the involvement of human knowledge is crucial in these procedures to guarantee the relevance and quality of the data, emphasizing the essential role of human intelligence in consumer analysis.

AI applications in consumer research can also raise ethical and bias concerns. The effectiveness of AI algorithms is directly dependent on the quality of the data they are trained on. If this data includes biases, the technology will inevitably exhibit similar biases in its outcomes. Ensuring ethical and unbiased data collection and analysis is of the utmost importance in consumer studies. Human involvement is essential to guarantee AI's ethical usage and tackle any potential biases that may emerge.

## **6. Conclusion**

Incorporating artificial intelligence (AI) into consumer research and business decisions provides many advantages, such as more website visits, boosted income, and higher customer loyalty. It also enables organizations to effectively oversee and enhance their digital platforms, delivering tailored content and increasing user interaction and conversion rates. Moreover, the capacity of AI to analyze extensive quantities of data enables accurate targeting and efficient sales process development, resulting in a substantial increase in income. Furthermore, AI technologies, by providing essential analysis of customer emotions and requirements, not only aid in improving happiness and loyalty but also hold the potential to significantly enhance customer satisfaction. Nevertheless, AI's powers have significant limits. Artificial intelligence faces challenges in comprehending emotions and deciphering human behavior, vital components of consumer research. The accuracy of the results is strongly dependent on the use of high-quality data, and any biases present in the data might result in skewed conclusions. In addition, AI's data management techniques give rise to ethical and privacy problems.

To overcome these constraints, many strategies might be put into effect. Implementing stringent data privacy legislation and embracing privacy-preserving methodologies like differential privacy and federated learning may safeguard individual privacy while facilitating efficient AI training. Informing customers about data collecting techniques and offering clear opt-in/opt-out choices fosters confidence and empowers consumers. Engaging heterogeneous teams in the creation and assessment of the models may aid in the detection and reduction of biases, thereby guaranteeing the implementation of fair and accurate AI applications. Transparent communication during the forecasting process increases confidence in AI-driven recommendations. Finally, implementing explicit ethical principles and governance structures for AI development and implementation not only ensures the appropriate use of the technology but also reassures the audience about the responsible implementation of AI in consumer research.

By following these measures, businesses can optimize AI's advantages and overcome its limits, ensuring the ethical and efficient use of AI in consumer studies and strategic insights.

## 7. References

- Adaga, E., Okorie, G., Egieya, Z., Ikwue, U., Udeh, C., DaraOjimba, D., & Oriekhoe, O. (2024). The role of big data in business strategy: A critical review. *Computer Science & IT Research Journal*, 4(3), 327-350. <https://doi.org/10.51594/csitrj.v4i3.686>
- Al-Ghuribi, S., Mohd Noah, S. A., & Mohammed, M. (2023). An experimental study on the performance of collaborative filtering based on user reviews for large-scale datasets. *PeerJ Computer Science*, 9, e1525. <https://doi.org/10.7717/peerj-cs.1525>
- Chaffey, D. (2023). Amazon.com marketing strategy 2023: E-commerce retail giant business case study. Smart Insights. Retrieved from <https://www.smartinsights.com/digital-marketing-strategy/online-business-revenue-models/amazon-case-study/>
- Darshan, K., Samuel, J., Swamy, M., Koparde, P., & Shivashankara, N. (2024). NLP-powered sentiment analysis on Twitter. *Saudi Journal of Engineering and Technology*, 9(1), 1-11. <https://doi.org/10.36348/sjet.2024.v09i01.001/>
- Gavira, M. (2018). Amazon's recommendation engine secret sauce. LinkedIn. Retrieved from <https://www.linkedin.com/pulse/amazons-recommendation-engine-secret-sauce-mario-gavira>
- Guo M, Xiao SS. An empirical analysis of the factors driving customers' purchase intention of green smart home products. *Front Psychol*. 2023 Oct 26;14:1272889. doi: 10.3389/fpsyg.2023.1272889. PMID: 37965665; PMCID: PMC10640982.
- Haleem, A., Javaid, M., Qadri, M., Singh, R., & Suman, R. (2022). Artificial intelligence (AI) applications for marketing: A literature-based study. *International Journal of Intelligent Networks*, 3, Article 100005. <https://doi.org/10.1016/j.ijin.2022.08.005>
- Hardesty, L. (2019, November 22). The history of Amazon's recommendation algorithm: Collaborative filtering and beyond. Amazon Science. Retrieved from <https://www.amazon.science/the-history-of-amazons-recommendation-algorithm>
- Haroon, S., Prins, C., & Schrijvers, E. (2023). Artificial intelligence: Definition and background. In *Artificial Intelligence* (pp. 1-22). Springer. [https://doi.org/10.1007/978-3-031-21448-6\\_2](https://doi.org/10.1007/978-3-031-21448-6_2)
- Li, Y. (2023). Big data analysis in consumer behavior: Evidence from social media and mobile payment. *Advances in Economics, Management and Political Sciences*, 64(2), 269-275. <https://doi.org/10.54254/2754-1169/64/20231548>
- Masouras, A., Papademetriou, C., & Kissa, M. (2020). Consumers' behavioral intentions towards low-cost airlines: The case of consumers in Greece.
- Menezes, R., Jha, R., Yeh, G., & Lamkhede, S. (2023). Lessons learnt from consolidating ML models in a large scale recommendation system. Netflix Research. Retrieved from <https://research.netflix.com/publication/lessons-learnt-from-consolidating-ml-models-in-a-large-scale-recommendation>

- Mixson, E. (2021). Data science at Netflix: How advanced data & analytics helps Netflix generate billions. AI Data Analytics Network. Retrieved from <https://www.aidataanalytics.network/data-science-ai/articles/data-science-at-netflix-how-advanced-data-analytics-helped-netflix-generate-billions>
- Necula, S. C. (2023). Exploring the impact of time spent reading product information on e-commerce websites: A machine learning approach to analyze consumer behavior. *Behavioral Sciences (Basel)*, 13(6), 439. <https://doi.org/10.3390/bs13060439>.
- Netsiri, P. (2023). Application of Natural Language Processing to Extract Consumer Behaviors from Product Reviews. *Journal of Economics and Business Issues*, 3(2), 09–25. Retrieved from <https://www.jebi-academic.org/index.php/jebi/article/view/74>
- Nkomo, L. (2023). From traditional to digital: Exploring the shift in marketing strategies. *IMMIN Institute*. Retrieved June 21, 2024, from <https://imminstitute.co.za/from-traditional-to-digital-exploring-the-shift-in-marketing-strategies/>
- Nkomo, L. (2023). From traditional to digital: Exploring the shift in marketing strategies. *IMMIN Institute*. Retrieved June 21, 2024, from <https://imminstitute.co.za/from-traditional-to-digital-exploring-the-shift-in-marketing-strategies/>
- Olaniyi, O., Abalaka, A., & Olabanji, S. (2023). Utilizing big data analytics and business intelligence for improved decision-making at leading Fortune company. *Journal of Scientific Research and Reports*, 29(9), 64-72. <https://doi.org/10.9734/JSRR/2023/v29i91785>
- Osor, L. (2016). Netflix and the development of the Internet television network (*Doctoral dissertation, Syracuse University*). *Dissertations - ALL*, 448. <https://surface.syr.edu/etd/448>
- Rathore, B. (2017). Exploring the intersection of fashion marketing in the metaverse: Leveraging artificial intelligence for consumer engagement and brand innovation. *International Journal of New Media Studies*, 4(2), 2394-4331. <https://doi.org/10.58972/eiprmj.v4i2y17.108>
- Rathore, B. (2017). Exploring the intersection of fashion marketing in the metaverse: Leveraging artificial intelligence for consumer engagement and brand innovation. *International Journal of New Media Studies*, 4(2), 2394-4331. <https://doi.org/10.58972/eiprmj.v4i2y17.108>
- Seseri, R. (2023, July 6). AI Atlas #19: Reinforcement learning (RL). LinkedIn. Retrieved from <https://www.linkedin.com/pulse/ai-atlas-19-reinforcement-learning-rl-rudina-seseri>
- Shenhao, Li. (2024). Walmart's data analytics for optimized inventory and customer insights.
- Shrirame, V., Sabade, J., Soneta, H., & Vijayalakshmi, M. (2020). Consumer behavior analytics using machine learning algorithms. In *2020 IEEE International Conference on Electronics, Computing and Communication Technologies (CONECCT)* (pp. 1-6). IEEE. <https://doi.org/10.1109/CONECCT50063.2020.9198562>
- Simplilearn. (2023). Netflix recommendations: How Netflix uses AI, data science, and ML. Simplilearn. Retrieved from <https://www.simplilearn.com/how-netflix-uses-ai-data-science-and-ml-article>



Weinstein, A., Anti, K., & Ochoa, E. (2021). World's biggest retailer launches Walmart Plus and customers have their say. *Journal of Business Strategy*. Advance online publication. <https://doi.org/10.1108/JBS-07-2021-0133>.

Wilson, J., Sachdev, S., & Alter, A. (2016). How companies are using machine learning to get faster and more efficient. *Harvard Business Review Digital Articles*.