

THE INFLUENCE OF AI-POWERED PERSONALIZATION ON BRAND LOYALTY IN THE FASHION INDUSTRY

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ABSTRACT

This study explores the impact of AI-driven personalization on brand loyalty in the fashion industry. It examines how emotional connection (EC) and self-brand connection (SBC) influence online brand consumer engagement (OBCE) through personalized direct marketing campaigns. Using a quantitative survey and regression analysis, the research aims to validate the model and provide insights into enhancing consumer loyalty. This study fills a gap by focusing on the relationship between AI-driven personalization and brand loyalty in direct marketing campaigns.

Introduction

The fast advancement of artificial intelligence (AI) over the past decade has significantly transformed various sectors, with marketing emerging as a primary beneficiary (Vlačić et al., 2021). AI's ability to analyze extensive data sets, automate processes, and deliver personalized customer experiences has created unprecedented opportunities for organizations to enhance customer relationships and engagement strategically. As AI tools become more integrated into business operations, a critical question arises: how can companies leverage AI-driven strategies to foster brand loyalty in an evolving digital marketplace?

Direct marketing has seen substantial evolution due to AI technology. Email marketing, a cornerstone of digital marketing, continues to be highly effective, generating over \$10 billion in annual revenue (Statista, 2023b). However, its effectiveness varies significantly across demographic segments. In 2022, 25% of American consumers indicated a willingness to purchase upon receiving an email newsletter, yet younger demographics, particularly U.S. Gen Z consumers, were less responsive to these efforts (Statista, 2023a).

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This highlights the need for more sophisticated, AI-driven personalization strategies to align customer preferences with marketing outcomes.

This research aims to uncover the transformative potential of AI in marketing campaigns. It examines how AI tools enhance content relevance, effectiveness, and personalization, improving online customer engagement, establishing a consistent brand message, and fostering purchase intention and brand advocacy. The study highlights the dynamic nature of marketing techniques and the future potential of AI in revolutionizing company-audience interactions..

Literature Review

Artificial Intelligence (AI) in Marketing

Artificial Intelligence (AI) is revolutionizing daily life by performing tasks that traditionally required human intelligence (Gao & Liu, 2022). Defined by Guzman & Lewis (2019), AI's ability to interpret data, learn from it, and adapt to achieve specific goals is reshaping personal and business operations. Haenlein and Kaplan (2019) emphasize AI's capacity for flexible adaptation, opening new avenues for innovation.

AI's diverse applications, including natural language processing, image and speech recognition, robotics, and machine learning, highlight its versatility (Paschen et al., 2020). These technologies enable AI to understand human language, recognize visual content, make autonomous decisions, and generate creative content.

In the business world, AI is transforming operations by automating tasks and processes, thereby enhancing efficiency (Davenport et al., 2019). This shift is particularly evident in marketing, where AI is driving rapid changes in consumer behavior and marketing strategies (Gao & Liu, 2022). AI's integration into marketing is not just an option but a necessity for modern businesses.

AI's ability to analyze vast amounts of data allows marketers to identify customer needs accurately, fostering positive relationships (Yang et al., 2021). Despite the challenges posed by the volume of data, AI's potential to enhance the accuracy and personalization of marketing efforts is clear. This capability enables the creation of more effective and personalized marketing strategies, transforming the marketing landscape.

Generative AI in Content Creation

Generative AI refers to computational methods that create original, meaningful content such as text, images, or audio from training data (Feuerriegel et al., 2023). This technology has revolutionized content creation, offering creative and functional outputs. The introduction of ChatGPT and subsequent models like GPT-4 sparked a competitive race among tech giants, leading to rapid advancements in AI capabilities (Sætra, 2023). Generative AI models, including Meta's LLaMA, DeepMind's Chinchilla, and Google's Bard, have expanded the field, enhancing natural language processing and content generation.

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Generative AI also employs techniques like Generative Adversarial Networks (GANs) and diffusion models to create images, as seen with OpenAI's Dall-E, Midjourney, and Stable

The AI industry is experiencing exponential growth, underscoring AI's profound impact across various industries, including healthcare and marketing. AI is expected to enhance operational efficiency and improve customer interaction quality, potentially reshaping labor markets by reallocating human resources to more productive, value-added roles (Statista, 2023a). A prime example of AI's potential in marketing is seen in industry leaders like Apple, whose brand loyalty transcends product features or competitive pricing. Apple's loyal customer base is primarily driven by its alignment with customers' core values and emotional connections to the brand (Sinek, 2009). In a competitive and economically volatile environment, building strong emotional bonds and trust with consumers is crucial, especially as companies face price pressures and shifting consumer expectations.

In this sense, this paper aims to explore how AI-driven personalization strategies can enhance brand loyalty in the fashion industry. It will examine the role of AI in crafting personalized marketing campaigns that resonate with consumers, boost engagement, and ultimately foster lasting loyalty. By investigating the intersection of AI technology, emotional branding, and consumer behaviour, this research seeks to provide insights into how companies can maintain a competitive advantage in a rapidly changing digital landscape.

Evolution of Artificial Intelligence in Marketing

The evolution of artificial intelligence (AI) has significantly impacted various industries, particularly marketing. Modern AI systems, with their ability to learn from historical data and automate routine tasks, have revolutionized business processes (Kaplan & Haenlein, 2019). Initially, AI's role in marketing focused on automating repetitive tasks like email marketing and managing chatbots (Davenport et al., 2020). However, recent advancements have expanded AI's capabilities to include data-driven insights, enabling strategic decisions in customer segmentation, targeting, and personalized marketing (Kaplan & Haenlein, 2019).

AI's most significant contribution to marketing is delivering personalized experiences. By analyzing customer data through machine learning algorithms, AI refines segmentation, targeting, and positioning (STP) strategies, allowing marketers to identify high-value customer

segments and offer relevant product recommendations (Verma et al., 2021; Chen et al., 2020). Additionally, AI-driven marketing analytics can assess product design effectiveness in relation to changing consumer preferences, enhancing customer satisfaction (Dekimpe, 2020). AI also plays a crucial role in dynamic pricing strategies, adjusting prices in real-time based on market conditions and consumer demand, which is particularly beneficial in fast-changing sectors like fashion (Bauer & Jannach, 2018).

As AI technology advances, its influence in marketing is expected to grow, with future developments potentially deepening customer relationships by understanding and predicting consumer preferences, emotions, and desires (Kaplan & Haenlein, 2019). AI-driven customer relationship management (CRM) tools will further enhance brand loyalty by providing personalized customer service and real-time responses to individual needs (Verma et al., 2021).

Brand Loyalty

Brand loyalty is the tendency of customers to consistently purchase from a particular brand over time. It can manifest as behavioral loyalty, where customers repeatedly choose a brand, or emotional loyalty, driven by a deep commitment and positive experiences (van der Westhuizen, 2018). Emotional loyalty goes beyond transactional relationships, fostering a strong connection that leads customers to prefer a brand despite alternatives (van der Westhuizen, 2018).

Positive brand experiences are crucial in building loyalty. Memorable interactions, especially online, enhance customer satisfaction and loyalty (Schmitt et al., 2015). Trust is another key factor; brands that consistently deliver on promises and maintain a credible reputation build a loyal customer base (Chaudhuri & Holbrook, 2001; He et al., 2012). Trust supports retention and emotional connections, deepening loyalty (van der Westhuizen, 2018).

Consumers form lasting relationships with brands that align with their self-identity. The self-verification hypothesis suggests individuals seek consistency in their self-concept through brand interactions (van der Westhuizen, 2018). Strong self-brand connections reinforce positive attitudes and long-term loyalty (Escalas & Battman, 2003). Consumer brand engagement (CBE) is vital for emotional loyalty, with higher engagement levels leading to increased loyalty (Hollebeek et al., 2014; Kandampully et al., 2015).

In the digital era, social media significantly influences brand loyalty. Positive online engagement fosters loyalty by encouraging active participation (Fernandes & Moreira, 2019). Brands that manage customer emotions and engagement effectively are more likely to achieve sustained competitive advantage (Dessart et al., 2015).

Hypothesis and conceptual model

The concept was created to study how emotional connection and self-brand connection variables can be utilized to aid AI-driven personalization in creating personalized direct marketing campaigns. This, in turn, can increase online engagement between consumers and brands and enhance consumer loyalty towards the brand. So, we propose that:

- H1: Self-brand connection positively impacts online brand consumer engagement
- H2: AI-Driven Personalization positively impacts online brand consumer engagement
- H3: Emotional Connection positively impacts online brand consumer engagement
- H4: Online brand consumer engagement positively impacts brand loyalty

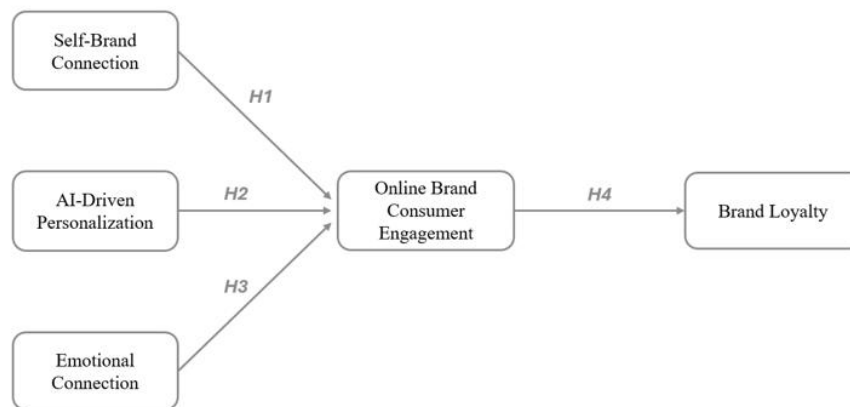


Figure 1 - Conceptual Model

Methodology

The conceptual model will be investigated quantitatively using an online questionnaire. The questionnaire will be created applying previously validated scales, and the data will be collected using Prolific, a research platform that helps researchers recruit participants for their online research (Prolific, 2024). By using this platform, the researchers seek to explore customer perceptions of AI-generated luxury apparel from actual luxury customers. This research will allow us to determine how far AI-generated design may drive and revolutionise luxury consumption and how it influences perceived value, brand image, and willingness to acquire such items.

The present research is still ongoing, and further developments will be presented at the 2025 GAMMA conference in Hong-Kong.

Keywords: Artificial Intelligence, Brand Loyalty, Brand Engagement, Direct Marketing, Fashion Industry;

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