

A CASE STUDY ON ARTIFICIAL INTELLIGENCE AND CONSUMER BEHAVIOUR

***Dr.S. SARATHA, Assistant Professor of Commerce, PG and Research Department of Commerce, Erode Arts & Science college (Autonomous), Erode-638009**

****Mrs. J.MANIMEKALA, Ph.D. Research Scholar, Department of Commerce,
Erode Arts & Science college (Autonomous), Erode-638009.
Maninagu1983@gmail.com**

ABSTRACT

Artificial Intelligence (AI) has become an important technology influencing modern consumer behaviour. From personalized product recommendations and AI-powered chatbots to predictive advertising and virtual assistants, AI is changing how consumers search for information, evaluate products, make purchasing decisions, and interact with brands. Businesses are increasingly using AI to understand consumer preferences by analysing large volumes of customer data, including browsing behaviour, purchase history, reviews, social media activity, and demographic information. This enables organizations to provide personalized experiences and predict future consumer needs. At the same time, the growing use of AI raises important concerns regarding consumer privacy, data security, algorithmic bias, transparency, and trust. Consumers may appreciate personalized recommendations, but excessive personalization or the feeling of being continuously monitored can negatively affect their confidence in a brand. Therefore, understanding the relationship between AI and consumer behaviour is essential for businesses seeking to use AI effectively and ethically. This paper examines how AI influences consumer behaviour, particularly in the areas of personalization, purchasing decisions, customer experience, digital marketing, consumer trust, and brand engagement. It also discusses the major benefits, challenges, and future opportunities associated with AI-driven consumer interactions. The paper concludes that AI can significantly improve consumer experiences and business performance when it is implemented responsibly, transparently, and with a strong focus on consumer needs.

Keywords: Artificial Intelligence, Consumer Behaviour, Personalization, Consumer Decision-Making, Digital Marketing, Customer Experience, AI Ethics

INTRODUCTION

Artificial Intelligence has moved from being a futuristic concept to an important part of everyday life. Consumers interact with AI frequently, sometimes without even realizing it. Search engines, recommendation systems, voice assistants, online shopping platforms, digital advertisements, chatbots, banking applications, and streaming services all use different forms of AI.

Consumer behaviour refers to the process through which individuals or groups select, purchase, use, evaluate, and dispose of products and services. Traditionally, consumer decisions were influenced by factors such as price, quality, brand reputation, recommendations from friends, advertising, and personal experience. However, digital technologies have significantly changed this process.

AI allows businesses to collect and analyse consumer data at a scale and speed that would be difficult to achieve manually. Machine learning algorithms can identify patterns in customer behaviour and predict what products or services a consumer may be interested in. For example, an online shopping platform can recommend products based on previous searches and purchases, while a streaming platform can suggest movies or music according to a user's viewing or listening history.

AI has therefore created a shift from a traditional mass-marketing approach towards highly personalized consumer experiences. Instead of offering the same message to every customer, businesses can provide different recommendations and advertisements based on individual preferences.

However, AI does not influence consumers only positively. Consumers may become concerned when they do not understand how their data is being used. Highly targeted advertisements may sometimes feel intrusive, while incorrect or biased AI recommendations can negatively affect consumer decisions.

Therefore, the relationship between AI and consumer behaviour is complex. Businesses must understand both the opportunities and risks of AI in order to create sustainable and trustworthy consumer relationships.

AI IN CONSUMER BEHAVIOUR

Information Search

Before purchasing a product, consumers generally search for information about its features, price, quality, and reviews. AI-powered search engines and recommendation systems can make this process faster.

AI can understand consumer queries and provide relevant information based on context. Consumers can also interact with AI chatbots to ask questions about products and services.

For example, instead of manually searching through hundreds of products, consumers can use an AI-based shopping assistant to identify products that match their requirements.

AI analyses information such as:

- Previous purchases
- Search history
- Browsing behaviour
- Product ratings
- Frequently viewed products
- Consumer preferences
- Similar customer behaviour

Based on these factors, AI predicts products that may interest a particular consumer.

Personalized recommendations can reduce the time required to find products and can improve the overall shopping experience.

Purchase Decision

AI can influence the final purchase decision by presenting consumers with personalized offers, product comparisons, discounts, advertisements, and recommendations.

For example, a customer searching repeatedly for a particular type of laptop may receive advertisements or recommendations for similar laptops. AI can identify purchase intent and deliver relevant information at an appropriate stage of the decision-making process.

Post-Purchase Behaviour

AI continues to influence consumers even after a purchase has been completed.

- Provide customer support
- Recommend complementary products
- Predict maintenance requirements
- Collect customer feedback
- Identify customer dissatisfaction
- Provide personalized offers

Therefore, AI can influence not only the initial purchase but also repeat purchases and long-term customer relation.

ROLE OF AI IN PERSONALIZATION

Traditional marketing often targeted broad consumer groups. For example, a company might create one advertisement for all customers within a particular age group. AI enables businesses to move towards individual-level personalization.

AI systems can analyse large datasets and identify individual consumer preferences. This information can be used to customize advertisements, product recommendations, emails, website content, and offers.

For example, an e-commerce website may display different products to two consumers visiting the same website because their previous behaviours and interests are different.

BENEFITS OF PERSONALIZATION

Improved	Customer	Experience:
Consumers can find relevant products more quickly.		

Increased		Convenience:
AI reduces the effort required to search for products and services.		

Higher		Engagement:
Relevant content is more likely to attract consumer attention.		

Improved	Customer	Loyalty:
Consumers may prefer brands that understand their individual needs.		

Higher	Business	Performance:
Personalized marketing can improve conversion rates and customer retention.		

AI AND DIGITAL MARKETING

AI has transformed modern digital marketing. Businesses can now analyse consumer behaviour in real time and automatically adjust marketing strategies.

AI identifies consumer interests and displays advertisements that are more relevant to them. This can reduce unnecessary advertising and improve marketing efficiency.

AI can divide consumers into different groups according to their behaviour, preferences, purchasing patterns, and other characteristics.

This enables companies to create more suitable marketing strategies for different consumer group

AI Chatbots

AI chatbots provide automated customer support. Consumers can receive answers to common questions without waiting for a human employee.

Chatbots can improve response time and provide 24-hour assistance.

However, consumers may become dissatisfied when they cannot easily reach a human representative, particularly when dealing with complex problems.

AI AND CONSUMER DECISION-MAKING

AI-based advertisements and recommendations can introduce consumers to products they were not previously considering. This can create awareness of new needs.

AI-powered search and virtual assistants provide quick access to product information

AI can compare products based on price, specifications, ratings, and consumer preferences

Personalized discounts and recommendations can encourage consumers to complete purchases.

AI can collect feedback and provide customer service, influencing future attitudes towards the brand.

This shows that AI has become an important factor in the overall consumer decision-making journey.

CONSUMER TRUST AND AI

Consumer trust is an important factor in the successful adoption of AI. Consumers are more likely to use AI-powered services when they believe that the system is reliable, secure, and transparent. Consumers are more likely to use AI-powered services when they believe that the system is reliable, secure, and transparent. Consumers may not understand why a particular product or advertisement has been recommended to them. Consumers may not understand why a particular product or advertisement has been recommended to them.

BENEFITS OF AI FOR CONSUMERS

AI provides several important benefits to consumers.

AI reduces the time and effort required to search for information and products.

Consumers can receive recommendations based on their individual interests.

AI chatbots can provide immediate responses to common questions.

Consumers can discover products that match their requirements more easily.

AI can help consumers compare products and identify suitable alternatives.

AI-based digital services can operate continuously, allowing consumers to receive assistance outside traditional business hours.

CHALLENGES OF AI IN CONSUMER BEHAVIOUR

The collection of large amounts of personal information creates concerns about consumer privacy. If consumer data is not adequately protected, unauthorized access or misuse may occur. AI decisions may produce unfair outcomes when the underlying training data is biased.

Excessive dependence on automated systems may reduce meaningful human interaction between consumers and businesses. AI decisions may produce unfair outcomes when the underlying training data is biased. Excessive dependence on automated systems may reduce meaningful human interaction between consumers and businesses. Highly sophisticated AI systems may influence consumers to purchase products based on behavioural predictions rather than genuine needs.

AI IN DIFFERENT CONSUMER INDUSTRIES

AI is influencing consumer behaviour across multiple industries.

AI provides personalized recommendations, intelligent search, chatbots, dynamic offers, and automated customer service.

AI helps analyse spending patterns, detect fraud, provide financial recommendations, and personalize banking services.

AI can support personalized services, appointment systems, information access, and digital health platforms. However, healthcare applications require particularly careful consideration of privacy, accuracy, and safety. AI can recommend destinations, hotels, restaurants, and travel services according to consumer preferences. AI is increasingly used in connected vehicles, predictive maintenance, intelligent assistants, and personalized driving experiences.

RECOMMENDATIONS

Based on the analysis, businesses should consider the following recommendations:

1. **Maintain transparency** about how AI systems use consumer data.
2. **Protect customer information** through strong data security practices.
3. **Provide meaningful personalization** without becoming intrusive.
4. **Allow human support** when AI cannot effectively solve a consumer's problem.

CONCLUSION

Artificial Intelligence has fundamentally changed the relationship between businesses and consumers. AI influences how consumers discover products, search for information, compare alternatives, make purchasing decisions, and interact with brands after a purchase. Personalization, recommendation systems, predictive analytics, chatbots, and targeted advertising have made consumer experiences faster and more convenient.

For businesses, AI provides the ability to understand consumer behaviour at a deeper level and develop more effective marketing strategies. For consumers, it can provide convenience, personalized recommendations, faster services, and better access to information.

consumers to buy more; it should be used to understand their needs, improve their experiences, and create genuine value.

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