

AI-Driven Personalization and Consumer Loyalty in Emerging Markets: A Qualitative Study on Trust, Perceived Value, and Ethics in Digital Marketing Practices in Pakistan

Ramish Maqsood

MS Scholar, Faculty of Business and Management Science, Information Technology University of the Punjab (ITU), Lahore – Pakistan

Email: ramishm525@gmail.com

Jaweria Iqbal

BS Scholar, Department of Economics with Data Science, Information Technology University (ITU), Lahore – Pakistan

Email: jaweria.ds@gmail.com

Yasir Karim

Assistant Professor Faculty of Business and Management Science, Information Technology University of the Punjab (ITU), Lahore – Pakistan

Email: yasirkarim310@gmail.com

Abstract

The transformation of interactive relationships in digital marketing by AI is adopting fast, with an approach in which AI's personalized marketing becomes a strategic tool for building customer loyalty in brands. In this paper, the contribution of AI-enabled marketing in enabling loyalty to customers will be analyzed through a reflection on its influence on value perceptions, trust, and authenticity relative to the Pakistani scene. An interpretivist qualitative research approach is adopted with the qualitative data provided by semi-structured interviews from eight participants from diverse academic and professional backgrounds in Lahore, Pakistan. Thematic analysis identifies recurring patterns and insights about customers' experiences in AI-enabled personalization. The findings suggest that AI-based personalization improves the customer's perceived value mainly through convenience, relevance, and reduced decision-making effort. Customers value personalized recommendations with behavioral data when accurate, relevant, timely, and delivering positive experiences. Importantly, trust was noted as a decisive mediating factor with participants meaning that personalization only augments trust if transparent, ethical, non-intrusive, and within the principles of data privacy. Excessive tracking, lack of control and perceived surveillance has less trust and caused its adverse effects on loyalty outcomes. Authenticity is a crucial determinant of the effectiveness of personalization, with trusting-related, human-centered, value-adding messages triggering emotional connectivity and repeat engagement. This study finds that AI-enabled personalization should be interpreted more as reinforcement rather than an independent driver of loyalty, as customers would be much more inclined to strengthen that loyalty if it was combined

with quality offers and ethical AI. This study contributes towards qualitative observations from an emerging market, with implications for practice as marketers would need to find a balance between contributions from personalization and trust, transparency, and consumer autonomy.

Keywords: AI-driven personalization, customer loyalty, trust, digital marketing

1. Introduction

The dynamic incorporation of artificial intelligence (AI) into digital marketing has brought a prime change in the way businesses engage with customers. AI-driven personalization uses advanced algorithms and machine learning to create customized products and services which also include personalized communication methods that designers create according to specific customer needs and their online behavior and personal details (Kuma, 2025; Patil, Shivashankar, Porapur & Kagawade, 2024). Businesses use AI technology to analyze data at the present moment which enables them to predict what customers will need and provide them with personalized digital experiences through tailored content delivery. In an environment that is rapidly turning into one characterized by competition and data, personalization has become not only an additional but a critical element in the strategy of firms that must distinguish themselves (Huang & Rust, 2017). Thus, firms that have successfully started implementing AI-based personalization are best placed for stronger relationships, loyalty, and sustainable long-term engagement with respect to digital environments (Bilgihan, Ostinelli, Zhang & Lorenz, 2025).

Customer loyalty remains one of the key determinants of the viability of the business for the long haul as loyal customers have been seen to maintain high retention, lifetime value, and advocacy behaviors (Agu, Iyelolu, Idemudia & Ijomah, 2024). AI personalization contributes to loyalty by reducing information overload and functional decision-making and offering the information when it is relevant. The brand develops emotional bonds with customers when it delivers personalized experiences that match their expectations (Maghembe & Magasi 2024). AI personalization has developed into a system which introduces new obstacles for organizations to solve. Customers understand the methods which companies use to gather their personal information and they become increasingly concerned about privacy and the need for transparency and ethical data handling (Martin, Borah & Palmatier, 2017; Acquisti, Brandimarte & Loewenstein, 2020). Personalization delivers benefits to customers by increasing relevant content and providing them with easy access to services yet customers experience discomfort when they view these services as invasive or manipulating their behavior. Such scenarios is always making AI-driven personalization complex and hindering the determination of its impact on loyalty. Trust is the most emphasized point by customers when they respond to AI personalization. This study focuses on the perception held by consumers that companies would act responsibly in terms of securing their personal data and also by offering them value instead of taking advantage of consumer data (Cetinkaya & Krämer, 2025; Olateju et al., 2024; Al-Mutawa et al., 2025). The trust-building purposes, transparency, explanation of the AI systems, and

consumer control over data usage have become an important subject concerning trust in AI-based interactions.

AI and personalization remain popular academic topics of the study, but this academic enthusiasm has a technology-i-e efficiency or firm-centric outcomes emphasis. Little attention has remained for understanding customer perspectives and relationship dynamics. Moreover, large number of existing studies base their claims on quantitative methods, limiting the capture of how personalization is generally understood among customers (Gao & Liu, 2023; Holmström & Larsson, 2024; Ismail & Abdulkareem, 2024). The present study seeks to understand the dynamics in strengthening customer loyalty through AI personalization with respect to perceived value, trust, and authenticity.

Problem Statement

The effectiveness of AI personalization as a customer loyalty enhancement tool stands unproven at this time. Personalization boosts relevance and engagement but it brings privacy problems and creates distrust and emotional backlash (Cai & Mardani, 2023). Researchers and practitioners face a major challenge because they lack knowledge about how customers perceive AI-enabled personalization. The customer-oriented and ethically-based personalization design process depends upon understanding this concept.

Research Objectives

The study has established three main objectives which researchers need to accomplish.

1. To evaluate how AI-driven personalization affects customers' perceived value and product relevance.
2. To examines how AI-driven personalization affects customers' brand trust development.
3. To investigates how AI-driven personalization affects customer loyalty.

Research Questions

The study investigates these research questions which are listed below.

1. To investigates how AI-driven personalization affects customers' perceptions of brand value and relevance.
2. To examines how AI-driven personalization establishes customer trust and customer trust.
3. To demonstrates how AI-driven personalization helps improve customer loyalty through its implementation.?

2. literature overview

AI-driven personalization

AI-driven personalization refers to following the artificial intelligence technology of machine learning, natural language processing, and predictive analytics to personalize products, services, and communication for individual customers based upon their data and behavioral patterns (Patil, 2024). In contrast to stereotypical personalization methods that are based on static rules or demographic segmentation, the AI-driven systems learn continuously from customer interactions and dynamically change their recommendations based on real-time data (Vallabhaneni, Perla, Regalla & Kumari, 2024). The businesses now progress from mass customization to providing personalized experiences which are tailored to each individual customer. The research shows that AI-based personalized systems improve customer satisfaction through their ability to reduce both information overload and search time (Teepapal, 2025). Customer recognition of relevant brand recommendations will result in better decision-making because they find it easier to choose their options which creates better online experiences. The use of personalized interfaces together with product recommendations and content dispatch will help boost user engagement through its ability to match specific requirements with individual preferences (Vashishth, Sharma, Kumar, Chaudhary & Panwar, 2024).

The system will succeed with AI-based personalized services when it delivers accurate information at the correct moment (Bitra, 2025). Customers will regard recommendations as useless when they become incorrect and excessive and they will begin to view them as disruptive elements which leads to lower satisfaction and brand evaluation. Recent studies argue that personalization quality, not personalization intensity, is vital in driving customer responses (Chandra, Verma, Lim, Kumar & Donthu, 2022; Kamel, 2023). Customers, when overwhelmed by personalized offers they perceive to be of little or no value, outright reject these offers, thus indicating that AI-enabled strategies need to work toward a certain balance.

Algorithmic bias and lack of explainability had entered the fray as more and more decision-making came to be automated. AI input that is trained on historical data may solidify previously established preferences and limit opportunities for diverse options, engendering the possible creation of “filter bubbles” that impede choice for the customer (Areeb, Nadeem, Sohail, Imam, Doctor, Himeur, Hussain & Amira, 2023). Therefore, while AI-driven personalization holds a great deal of promise, conscientious design and implementation are by no means options, as they are a necessity to yield customer-centric and ethical consequences.

Trust in AI-Assisted Customer Interaction

Trust in AI systems is a fundamental element in customer–brand relationships, especially in cases where technology mediates such interactions and uncertainty and perceived risk are high (Valori, Jung & Fairhurst, 2024). Trust in AI-mediated processes, is an expression of customer confidence that a company will act responsibly and fairly for its interests with the help of AI technologies. Especially when far-reaching personalization relies on deep insight into personal data and that data then becomes essentially an invisible decision-making tool, trust heightens. Research shows

that AI-driven personalization develops customer trust through beneficial and transparent system operation which helps customers (Cui, van Esch, Arora, Mannava & Verma, 2025; Hassan, Abdelraouf & El-Shihy, 2025). The establishment of trust requires organizations to show customers their data collection and usage practices because customers will trust personalized systems through their understanding of data handling methods (Aldboush & Ferdous, 2023). The customer will develop stronger trust when they can manage their personal data through choosing their privacy options and deciding whether to disable personalized content. Many AI systems remain difficult to comprehend which results in trust barriers. Feelings of being watched and being manipulated are developed by consumers due to their lack of awareness about how algorithms work in order to give them suggestions (Chaudhary, 2024). Recent studies suggest that XAI might offer a potential remedy for some of these problems. Through revealing how recommendation systems function XAI enables customers to understand the process which leads to their generated recommendations (Belghachi, 2019; Kalasampath, Spoorthi, Sajeev, Kuppa, Ajay & Angulakshmi, 2025). Trust here serves as mediation between personalization and loyalty. Once the customer trusts the company's AI personalization, it makes positive interpretation for personalized experience to develop long-term loyalty. Meanwhile, the low-trust environment may mute or even reverse the potential benefits of personalization so that customers with such experiences will behave-avoidance and later switch brands (Chen, Sun & Liu, 2022).

AI-Personalization and Customer Loyalty

Customer loyalty is a multidimensional construct, involving behavioral aspects and attitudinal perceptions (Ghorbanzadeh & Rahehagh, 2020). The present digital environment makes it difficult for businesses to maintain customer loyalty because they now have access to online competitors who provide better loyalty programs. AI-based personalization systems which businesses use as a strategy to build customer relationships, enable customers to maintain their loyalty toward the brand (Bilgihan et al., 2025). The tailored experience establishes loyalty to the brand because customers feel acknowledged and valued and most crucially, they feel a personal connection to the brand. The concept of personalization serves as a bonding agent between people because it enables sustainable relationships through authentic reciprocal exchanges which occur during customer interaction moments (Singh, 2023). According to Bing, Al Mughairi, Karim and Karim (2024) consumers are more loyal towards brands those save their time and effort with appropriate recommendations and generate personalized value over time. The study shows that personalization depends on other major factors, among which it can be seen as a loyalty enhancer rather than being a major driver by itself (Hassan et al., 2025). Key factors include product quality, service reliability, and brand reputation, which ought to be met as conditions in order for loyalty to accrue. In this light, personalization may yield little benefits where these conditions are found deficient. Where it has great perception amongst consumers, personalization instead operates as an enhancer also distractors that brings to light all the detriments lying inside (Al Ghaith, 2019).

Another key issue is customer heterogeneity in how they respond to personalization. While some customers may appreciate personalized experiences, many others might remain indifferent to it, or resist it on account of privacy concerns, or a mere preference for autonomy (Zhang & Sundar, 2019). This inconsistent response, in fact, confirms the need for an adaptive personalization strategy on the acceptance level of individual customers toward personalization.

Concerns about Privacy and Ethical Issues

Privacy concerns represent one of the most fundamental challenges emerging in the context of AI-driven personalization (Amil, 2024). The collection and analysis of personal data are felt under the umbrella of surveillance, improper data use, and unauthorized sharing, all of which further create a negative psychological impact toward the customers, having impact on their attitudes or behaviors against the service (Alom, Zakaria, Rahmat, Abdullah, Yusof, Jamaludin & Razak, 2024). The awareness around these data practices has eroded customers' tolerance toward intrusive personalization. The perceived risks of privacy associated with personalization might outweigh its benefits, which leads to the user's disengagement or resistance (Lyu, Guo & Chen, 2024). The organizations need to execute ethical artificial intelligence methods throughout their operations which require them to acquire informed consent and protect personal data (Oluwafemi, Clement, Adanigbo, Gbenle & Adekunle, 2021). Data-driven AI personalization has also put forth new expectations for accountability and transparency, especially with the entrance of regulatory bodies like GDPR. Unethical AI practices relate to algorithmic fairness and bias as well. If there are discriminatory side effects in an algorithmic system that has learned from biased datasets, such scenario may discredit trust in the brand and in the endorsement of the brand. The wider consensus deeming responsible AI governance as a strategic imperative rather than just a compliance obligation continues to grow.

Authenticity and Genuineness in Personalization

The authenticity plays an important role in influencing consumers toward personalized communications (Han, Anderson & Chung, 2023). Customers view authentic personalized messages, which contain genuine content that matches their actual needs, as more valuable than regular advertising (Eman, 2025). The concept of authentic personalization exists, because it delivers real value to users instead of providing them with basic customizations, which only show their name on products. Research demonstrates that customers will avoid participating fully when they perceive themselves as receiving personalized services, which occur through automatic systems or general systems (Kbaier, Salminen & Jansen, 2025). On the other hand, relevant, timely, and contextually aware personalization increases perceptions of sincerity and thus, emotional engagement. It would ultimately turn into loyalty when customers feel personalized interaction was quite human-like and most respectful instead of mechanical or manipulative behavior.

Authentic personalization has a great part to play in the strengthening of relationships in trust and emotional attachment (Lopez Ortega, 2025). When authenticity is perceived by customers, then they also feel that what is being personalized is really helping them and in line with what they want interest-wise. Thus, they will prefer long-term

relationship with that brand. Therefore, authentic personalization becomes a link or conduit through which trust is built alongside AI-driven personalization, extending customer loyalty.

3. Research Methodology

Research Approach

This study employs a qualitative approach to investigate the customer understanding of AI-driven personalization and how it can act as a mechanism that strengthens a customer to a brand. Qualitative research is best suited to complex social phenomena where meanings, interpretations, and subjective experience combine to define the phenomenon (Tomaszewski, Zarestky & Gonzalez, 2020). AI personalization goes beyond the technology and has psychological and relational components like trust, perceived value, and emotional engagement that do not lend themselves to being captured numerically.

A qualitative approach will allow the researcher to explore how customers interpret personalized brand interactions; how they derive meaning from AI-driven recommendations; and how these meanings and interpretations influence customer attitudes toward trust and loyalty. The qualitative approach focuses on understanding the complete depth of a situation through its specific details and its comprehensive qualities instead of testing scientific predictions through experiments (Gilad 2021). The emerging research area of AI-driven personalization requires this essential development because consumer perceptions and ethical issues continuously develop.

It also permits adaptability to and readiness for themes that may arise throughout the investigation process. Exploratory qualitative research is best fit in such case as the AI applications are becoming dynamic in marketing. This method captures subtleties that would otherwise have not been well theorized in existing literature. It emphasizes customers' experiences and subjective representations, therefore anything could be theoretically sound yet practically relevant.

Research Design

This study is developed on the interpretivist research design. Interpretivism is the assumption that reality is constructed through socially, and individuals give meaning based on the personal, cultural, and contextual factors to the experiences they perceive (Acharya, 2025). Personalized AI experiences would be defined or interpreted differently by customers due to their expectations, values, or experiences with the brand before. In that regard, it allows a greater in-depth investigation of how AI personalization could be viewed as helpful, intruded on, trustworthy, or inauthentic. It means then that the interpretivist approach is closely aligned to the research objectives/questions in exploring meaning rather than causality.

Data Collection Method

This study administered semi-structured interviews as the main data collection method. Semi-structured interviews are one of the most distributed qualitative research techniques to explore participants' perceptions, attitudes, and experiences while allowing enough flexibility for in-depth discussion (Oplatka, 2018). This method

allows bringing forth very key subjects related to AI-driven personalization, trust, and loyalty but permits the participants to dig deep into issues they see as important. Use of semi-structured interviews suits this study because AI-driven personalization is a very complex and multifaceted phenomenon. Customers might be aware of, comfortable with, or engaged with the system by different levels, and these differences open up the use of semi-structured interviews. Open-ended questions would encourage participants to air their views in their own words, thus encouraging richer, deeper, and more nuanced insights (Komildjanovna, 2024).

Data Analysis Technique

The study utilizes thematic analysis as the main data analytical approach. Thematic analysis is a common form of qualitative method with concern about the identification, analysis, and interpretation of the patterns or themes within a body of textual data (Terry, Hayfield, Clarke & Braun, 2017). It is mostly appropriate for exploratory research where the development of theory is concerned, as it disables the researcher from only surface-level description but encourages delving more into seeking the meaning behind an occurrence.

A thematic analysis is a flexible and systematic way of analyzing qualitative data (Castleberry & Nolen, 2018). The researcher organizes data into meaningful categories as related to AI-driven personalization and trust and loyalty but remains open to emergent themes that may not have yet been explicitly addressed by the research questions. The criterion of flexibility yet structure makes thematic analysis suitable for interpretivist research designs. The analytical process begins with data exploration which leads to initial code development and code application to different themes before researchers refine the themes to establish internal connections and external applicability (Naeem, Ozuem, Howell & Ranfagni, 2023).

4. Data Analysis

The role of AI-enabled personalization in enhancing customer loyalty in Pakistan has been discussed in some detail. Eight semi-structured interviews, spanning various disciplines and professions, such as software engineer, businessperson, developer, catalog manager, owner of a marketing agency, and a corporate business development executive, were conducted. The analysis mainly covered critical patterns, perception, and experiences in terms of personalization, trust, ethical issues, and loyalty outcomes.

Table 4.1 Demographic Information of Respondents

Respondent	Background/Role
R1	Software Engineer
R2	Construction & Order-Supplies Business Executive
R3	Senior Manager in FMCG

Respondent	Background/Role
R4	Full-Stack Java Developer
R5	Senior Full-Stack Developer
R6	Senior Catalog Manager
R7	Marketing Agency Owner
R8	Business Development Executive

This diversity captured the broadest aspects of discussion on AI-enabled personalization from practical utility and convenience to ethics and trust.

Phases of Thematic Analysis

The thematic analysis of qualitative data followed the two deductive and inductive approaches through the six-phase approach: familiarization, coding, theme development, theme review, definition of themes, and reporting (Nowell et al. (2017).

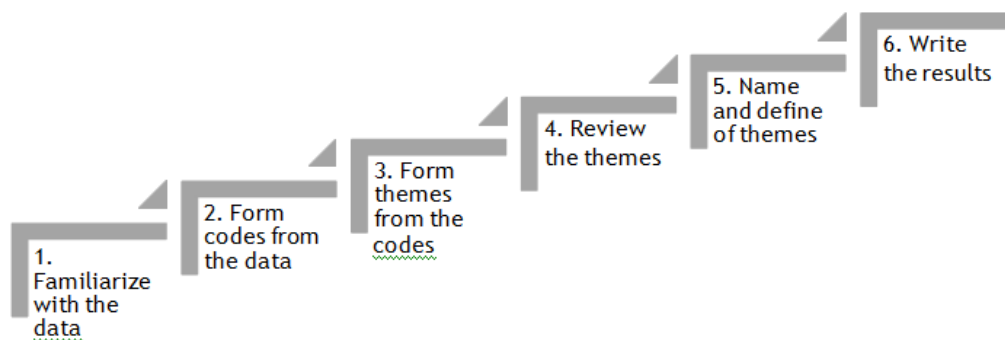


Figure 4.1: Phases of thematic analysis (Nowell et al. 2017) **Thematic Analysis Based on Interview Questions**

Question 1: What do you get when a brand makes personal recommendations to you?

Table 4.2 Theme 1: Perceived Convenience and Efficiency

Respondents	Initial Code	Authentic Data Extract	Re-Coded As	Theme
R1	Time saving	“It saves me time when it’s accurate.”	Efficiency benefit	Perceived Convenience
R2	Feeling understood	“It feels like the brand understands my preferences.”	Emotional recognition	
R3	Neutral perception	“It does not really matter to me.”	Limited engagement	
R4	Reduced effort	“I find things faster and with less effort.”	Ease of use	

Respondents	Initial Code	Authentic Data Extract	Re-Coded As	Theme
R5	Avoiding overload	“It makes my experience easier instead of overwhelming me.”	Cognitive relief	
R6	Engagement	“It feels more convenient and engaging.”	Enhanced interaction	
R7	Decision support	“It saves time and makes decisions easier.”	Decision efficiency	
R8	Practical help	“I don’t have to search too much.”	Search reduction	

Results

Most of the participants believe that AI-driven personalization creates operational advantages that increase productivity. The system decreases mental workload while making faster decisions and preserving time. People will experience good things when they recognize positive emotions that make them feel understood. The participant demonstrated a neutral position because some users do not recognize the advantages of the system. Users in Pakistan who want to save time will find digital platforms more valuable through their automatic services which protect their time. The major factor that drives user happiness and platform return emerges from convenience, which establishes itself as a vital element for online services used in Pakistan.

Question 2: What type of personalization do you find most helpful?

Table 4.3 Theme 2: Relevance through behavioral and preference-based personalization

Respondents	Initial Code	Authentic Data Extract	Re-Coded As	Theme
R1	Purchase history	“Recommendations based on actual purchase history.”	Behavioral relevance	Relevance
R2	Design preference	“I find color much more important in personalization.”	Visual customization	
R3	Indifference	“I don’t know.”	Low engagement	
R4	Practical relevance	“Recommendations that actually match my taste.”	Contextual accuracy	
R5	Browsing data	“Based on past purchases or browsing history.”	Usage-based relevance	
R6	Notifications	“Emails or notifications about things I looked at.”	Timely relevance	

Respondents	Initial Code	Authentic Data Extract	Re-Coded As	Theme
R7	Reordering	“Reminding me to reorder something I use.”	Habit support	
R8	Search history	“Suggestions based on what I searched before.”	Predictive relevance	

Results

Repeated purchases based on past behavior or preferences-including previous purchases, browsing history and habitual needs-are encouraged by personalization. Relevance was essential for usefulness-inaccurate recommendations made recommendations significantly less useful. Visual or aesthetic preferences were pointed out by one respondent, claiming it could go beyond behavioral data. Based on these indications, behaviorally relevant personalization will likely enhance the usage, loyalty, and the brand perception of being able to respond to customer needs in Pakistan.

Question 3: How does personalization affect your trust toward a brand?

Table 4.4 Theme 3: Conditional Trust Formation

Respondents	Initial Code	Authentic Data Extract	Re-Coded As	Theme
R1	Trust building	“Good personalization builds trust.”	Trust enhancement	Conditional Trust
R2	Bond formation	“It helped me develop a strong bond.”	Emotional trust	
R3	No effect	“It doesn’t.”	Trust neutrality	
R4	Accuracy matters	“If it’s accurate and not creepy, it builds trust.”	Boundary-respecting trust	
R5	Attention	“It shows the brand is paying attention.”	Attentive trust	
R6	Intrusiveness	“Too intrusive has the opposite effect.”	Trust erosion	
R7	Respect	“Respectful personalization increases trust.”	Ethical trust	
R8	Annoyance	“If not relevant, it feels annoying.”	Negative perception	

Results

Trust formation was very conditional on being accurate, ethically behaving, and nonintrusive. Good personalization standing with accuracy and within respect established trust, while intrusive and irrelevant recommendations eroded trust. One participant indicated no effect, perhaps showing that other factors, aside from personalization, come into play in influencing trust. The above indicates the now well-

understood impact of ethical AI, transparency, and relevance in generating trust and providing sustainable long-term loyalty in the Pakistani market.

Question 4: What makes you come back to a personalized brand?

Table 4.5 Theme 4: Convenience-driven repeat engagement

Respondents	Initial Code	Authentic Data Extract	Re-Coded As	Theme
R1	Convenience	“If they reduce friction, I’ll keep using them.”	Ease of interaction	Repeat Engagement
R2	Mutual trust	“Strength and mutual trust bring me back.”	Relationship continuity	
R3	Irrelevance	“Does not really matter to me.”	Weak influence	
R4	Smooth service	“Shopping becomes easier.”	Process efficiency	
R5	Consistency	“Consistency makes me return.”	Reliability	
R6	Preference memory	“They remember my preferences.”	Recognition	
R7	Value addition	“Personalization adds real value.”	Loyalty reinforcement	
R8	Feeling remembered	“Feeling remembered as a customer.”	Emotional retention	

Results

Convenience, consistency, and emotional recognition drive repeat engagement. People come back to brands that seem to "remember" their preferences and have fewer "friction points" between them and the brands. Emotional factors such as feeling remembered also come into play. One respondent was indifferent, showing that personalization alone cannot sustain loyalty. Collective efficiency and emotional acknowledgment reinforce repeat use and maintain strong long-term ties to brands in Pakistan.

Question 5: How comfortable are you with brands using your data for personalization?

Table 4.6 Theme 5: Transparency-Dependent Data Acceptance

Respondents	Initial Code	Authentic Data Extract	Re-Coded As	Theme
R1	Clear trade-off	“Fine if the trade-off is clear.”	Informed consent	Data Acceptance
R2	Data refusal	“I will not allow my data.”	Privacy resistance	

Respondents	Initial Code	Authentic Extract	Data	Re-Coded As	Theme
R3	Discomfort	“Not at all comfortable.”		Strong resistance	
R4	Control	“If I can control settings.”		User autonomy	
R5	Security	“As long as data is secure.”		Data protection	
R6	Partial comfort	“Somewhat comfortable.”		Conditional approval	
R7	Transparency	“If they explain how data is used.”		Ethical clarity	
R8	Misuse fear	“Only if they don’t misuse it.”		Trust-based acceptance	

Results

Comfort with data usage is based on specific conditions of transparency, control, and security. Informed consent was a prerequisite for even the ethical handling of personalization in answering questions. Some participants refused to share data at all-which indicates strong privacy concerns. These insights illustrate that ethical and transparent AI practices are very important to making adoption and loyalty grow in Pakistan.

Question 6: What concerns do you have regarding AI-based personalization?

Table 4.7 Theme 6: Privacy and Ethical Anxiety

Respondents	Initial Code	Authentic Extract	Data	Re-Coded As	Theme
R1	Filter bubbles	“Only seeing what I liked before.”		Limited exposure	Ethical Anxiety
R2	Cognitive influence	“It influences thinking.”		Behavioral manipulation	
R3	Data theft	“It steals our data.”		Privacy fear	
R4	Surveillance	“Being tracked too much.”		Monitoring concern	
R5	Data sharing	“Shared without consent.”		Unauthorized use	
R6	Over-tracking	“Ads follow me everywhere.”		Persistent surveillance	
R7	Loss of control	“AI feels like it knows too much.”		Autonomy threat	
R8	Ad saturation	“Too many ads.”		Digital fatigue	

Results

Participants typically mention concerns regarding privacy, manipulation, and over-tracking. Critical were the ethical use of data and the avoidance of information overload. Also, as failing to balance the personalization's benefits with autonomy and privacy may reduce trust and loyalty, brands should strike the balance between the benefits of personalization and autonomy or privacy. This becomes even more important with Pakistan's rapidly growing aware digital populace.

Question 7: How does personalization affect your loyalty toward a brand?

Table 4.8 Theme 7: Personalization as a Loyalty Enhancer

Respondents	Initial Code	Authentic Extract	Data	Re-Coded As	Theme
R1	Loyalty support	"It enhances loyalty when done right."		Reinforces attachment	Loyalty Enhancement
R2	Bond formation	"Personalization helped me bond with the brand."		Emotional loyalty	
R3	No effect	"No effect on loyalty."		Neutral response	
R4	Experience matters	"Good personalization keeps me loyal."		Conditional loyalty	
R5	Feeling valued	"Makes me feel like a valued customer."		Recognition-based loyalty	
R6	Consistency	"It makes me more loyal if consistent."		Reliability-driven loyalty	
R7	Value addition	"Helps if the product is already good."		Supportive loyalty	
R8	Engagement	"Increases loyalty if experience improves."		Positive reinforcement	

Results

Personalization is always an enhancer of loyalty when it offers improved experience-added value. Emotional recognition, production relevance, and consistent service stand out as important mediators. Few of them expressed no effect, which indicates that personalizing it cannot replace quality products/services. Therefore, overall, personalization acts as a loyalty enhancer, not as an independent driver (also mostly in the case of Pakistan, where such scope of expectation from digital services is developing).

Question 8: What makes a personalized message genuine for you?

Table 4.9 Theme 8: Relevance and Human-Centric Communication

Respondents	Initial Code	Authentic Extract	Data	Re-Coded As	Theme
R1	Value addition	“Adds value, not just uses my name.”		Useful personalization	Genuine Messaging
R2	Approach	“The recommended way to personalize matters.”		Method matters	
R3	Impersonal	“It doesn’t feel genuine.”		Mechanical personalization	
R4	Respect	“Relevant, respectful, sounds human.”		Human-centered	
R5	Relevance	“Relevant and natural.”		Contextually meaningful	
R6	Timing	“Matches interests and timing.”		Timely relevance	
R7	Alignment	“Aligns with needs and interests.”		Purposeful personalization	
R8	Avoid fluff	“Not copy-paste or spammy.”		Authentic content	

Results

True messages are assumed to be relevant, timely, and human-centered rather than mechanical or superficial. Functional utility, respect for user preferences, and alignment with context are critical. Authentic communication-something which a user deeply values in Pakistan-strengthens trust and supports long-term loyalty. Unfortunately, personalization perceived to be robotic or manipulative compromises the credibility and engagement, hence stressing the need for a much more human-centric design of IA strategies.

5. Conclusion

The study aimed to examine the effects of AI-based personalization on customer loyalty in Lahore Pakistan through an investigation of perceived value and trust and loyalty as main study elements. The qualitative insights from eight semi-structured interviews of persons with various academic and professional backgrounds in Lahore shed light on how personalized experiences impact customer perceptions and behavior.

Regarding the first objective of how AI-driven personalization affects customer perceptions of value relevance, the respondents correlated personalization with convenience, efficiency, and time-saving (R1, R4, R7). Definitely, recommendations based on past purchases or preferences are seen to be of utmost relevance as they reduce cognitive load and enhance decision-making among customers. The research results support previous findings which showed that AI-driven personalization made customers perceive products as more useful while also increasing their overall

satisfaction with the product (Hassan et al., 2025 RC & Dulloo, 2024). Some were indifferent (R3), implying that the extent to which created personalization is relevant, is contingent on individual expectations and past experiences.

The second objective was based on how personalization creates trustworthiness of the brands. The study says trust is contingent on accuracy, transparency, and ethical use of personal data (R1, R2, R4, and R7). Personalization that is seen as either intrusive or irrelevant undermines trust, whereas accurate and respectful personalization positively influence the trust of the brands (R6, R8). This affirms other studies that state trust mediates personalization and engagement with customers, specifically in the context of AI-mediated engagement that due to its opacity may spark skepticism (Razzaq, Khan & Afzal, 2025). Therefore, respondents were in favor of Explainable AI and user data control, another representation of global concerns over privacy and ethical AI.

The third objective explored the extent to which personalization actually encourages customer loyalty. The bonding effects of personalization through its recognition function and relevance function and emotional connection function were believed to increase customer loyalty (R1 R2 R5 R7). Participants indicated that customers will develop stronger loyalty because they assign special importance to the personalized features of their experience which customers use to evaluate their connection to a product after experiencing a substandard service (R7 R3) experts state that personalization functions as a loyalty driver which businesses use to enhance their customer relationship with customers (Motlani, Choudhary & Jain, 2025). Authenticity emerged as the most important matter because human relationships develop through authentic communication while people view mechanistic personalization as a relationship obstacle.

The study results demonstrate that AI-driven personalization functions as an effective method to increase perceived value and trust and customer loyalty which occurs through accurate information delivery and relevant content and ethical business methods and authentic customer experience delivery. Privacy concerns, resultant over-tracking, and intrusive recommendations were deemed barriers alongside global findings on AI-driven marketing. The Lahore context uniquely qualifies as one where urban and tech-savvy populations prioritize transparency, ceding control, and relevant recommendations, which stands in contrast to randomized recommendations.

Study Contributions

The study presents an important theoretical and practical contribution. From a theoretical standpoint, it widens the research field on AI-driven personalization by providing qualitative evidence based on Lahore, Pakistan, and addressing the subtle interplay of perceived value, trust, and loyalty in their interplay in an emerging market. Practically, it provides insight to marketing practitioners on how to make trust and loyalty work through personalization strategies laying stress on relevance, transparency, user control, and authentic two-way communication. In these accounts, the study into the widespread importance of ethical AI practices and explainable algorithms, aimed at mitigating privacy concerns and setting the grounds for the establishment of sustainable customer relationship.

Future Recommendations & Limitations

Future research might consider applying bigger and geographically widely distributed samples for a more representative view on the outlook of customer perceptions across Pakistan. Quantitative inquiries should also be adapted to evaluate the extent of personalization on loyalty indicators, such as repeat purchase or recommendation behaviors. A comparative study of specific industries in this context may highlight differences with respect to effectiveness in personalization. Longitudinal studies could investigate sustained effects of AI-driven personalization on loyalty and trust, whereas cross-cultural comparisons may illustrate how acceptance for personalization differs in emerging markets between urban and rural settings.

There are some limitations of this study. The first limitation is that it is obviously somewhat limited from the fact of a small number, being only eight interviewees, so not really generalized. The second limitation pertains to the fact that the aforementioned interviewees were all located in Lahore and may not reflect the perceptions of consumers from other regions in Pakistan. A third limitation was that some answers reflected self-reporting perceptions on the part of the respondents, which may have been biased or amounts to selective recall.

References

- Acharya, R., 2025. Examining Interpretivism in Social Science Research: Exploring Subjectivity, Context, and Meaning in Social Inquiry. *Education Science & Technology*.
- Agu, E.E., Iyelolu, T.V., Idemudia, C. and Ijomah, T.I., 2024. Exploring the relationship between sustainable business practices and increased brand loyalty. *International Journal of Management & Entrepreneurship Research*, 6(8), pp.2463-2475.
- Aldboush, H.H. and Ferdous, M., 2023. Building trust in fintech: an analysis of ethical and privacy considerations in the intersection of big data, AI, and customer trust. *International Journal of Financial Studies*, 11(3), p.90.
- Al-Mutawa, H.A., Sowailam, E.K. and Al Mubarak, M., 2025. Business Ethics in E-commerce: Ethical Concerns and Safeguarding Consumer Trust and Loyalty. In *Sustainable Digital Technology and Ethics in an Ever-Changing Environment: Volume 2* (pp. 3-20). Cham: Springer Nature Switzerland.
- Alom, N.B., Zakaria, A.F., Rahmat, S.B., Abdullah, S.N.B., Yusof, Z.B., Jamaludin, H.B. and Razak, A.B., 2024. An Examination of Customer Behavior Analytics, Privacy Issues, and Data Protection Laws in the Age of Big Data and Machine Learning.
- Amil, Y., 2024. The Impact of AI-Driven Personalization Tools on Privacy Concerns and Consumer Trust in E-commerce.
- Areeb, Q.M., Nadeem, M., Sohail, S.S., Imam, R., Doctor, F., Himeur, Y., Hussain, A. and Amira, A., 2023. Filter bubbles in recommender systems: Fact or fallacy—A systematic review. *Wiley Interdisciplinary Reviews: Data Mining and Knowledge Discovery*, 13(6), p.e1512.

- Belghachi, M., 2023. A review on explainable artificial intelligence methods, applications, and challenges. *Indonesian Journal of Electrical Engineering and Informatics (IJEI)*, 11(4), pp.1007-1024.
- Bilgihan, A., Ostinelli, M., Zhang, Y. and Lorenz, M., 2025. Artificial intelligence (AI) agents and the future of customer loyalty. *International Journal of Contemporary Hospitality Management*, 37(9), pp.3240-3262.
- Bing, G., Al Mughairi, B., Karim, A.M. and Karim, A.M., 2024. Study on Importance of Brand Loyalty for Customer Retention for Consumer Durable Products: New Era Viewpoint. *International Journal of Academic Research in Business and Social Sciences*, 14(1), pp.453-464.
- Bitra, S.K., 2025. The Power of AI-Driven Personalization: Technical Implementation and Impact. *Journal of Computer Science and Technology Studies*, 7(3), pp.476-483.
- Cai, H. and Mardani, A., 2023. Research on the impact of consumer privacy and intelligent personalization technology on purchase resistance. *Journal of Business Research*, 161, p.113811.
- Castleberry, A. and Nolen, A., 2018. Thematic analysis of qualitative research data: Is it as easy as it sounds?. *Currents in pharmacy teaching and learning*, 10(6), pp.807-815.
- Cetinkaya, N.E. and Krämer, N., 2025. Between transparency and trust: identifying key factors in AI system perception. *Behaviour & Information Technology*, pp.1-15.
- Chandra, S., Verma, S., Lim, W.M., Kumar, S. and Donthu, N., 2022. Personalization in personalized marketing: Trends and ways forward. *Psychology & Marketing*, 39(8), pp.1529-1562.
- Chaudhary, G., 2024. Unveiling the black box: Bringing algorithmic transparency to AI. *Masaryk University Journal of Law and Technology*, 18(1), pp.93-122.
- Chen, X., Sun, J. and Liu, H., 2022. Balancing web personalization and consumer privacy concerns: Mechanisms of consumer trust and reactance. *Journal of consumer behaviour*, 21(3), pp.572-582.
- Cui, Y., van Esch, P., Arora, A., Mannava, M.K. and Verma, S., 2025. Ethics, Trust, and Transparency in AI-Driven Customer Experience: Balancing Personalization and Privacy.
- Eman, N., 2025. Customer perception of AI-generated content and its impact on brand trust: an empirical study in the Egyptian market using structural equation modeling. *International Journal of Artificial Intelligence and Emerging Technology*, 8(1), pp.1-16.
- Gao, Y. and Liu, H., 2023. Artificial intelligence-enabled personalization in interactive marketing: a customer journey perspective. *Journal of research in interactive marketing*, 17(5), pp.663-680.
- Ghorbanzadeh, D. and Rahehagh, A., 2020. The role of emotional structures in the relationship between satisfaction and brand loyalty. *Cogent Psychology*, 7(1), p.1782098.

- Gilad, S., 2021. Mixing qualitative and quantitative methods in pursuit of richer answers to real-world questions. *Public Performance & Management Review*, 44(5), pp.1075-1099.
- Han, S., Anderson, C.K. and Chung, K., 2023. Do managerial communications improve customer satisfaction and eWOM? The moderating effect of response authenticity. *Humanities and Social Sciences Communications*, 10(1), pp.1-12.
- Hassan, N., Abdelraouf, M. and El-Shihy, D., 2025. The moderating role of personalized recommendations in the trust–satisfaction–loyalty relationship: an empirical study of AI-driven e-commerce. *Future Business Journal*, 11(1), p.66.
- Holmström, E. and Larsson, A., 2024. From Data to Loyalty: A quantitative study of consumer's response to AI-driven personalized marketing.
- Huang, M.H. and Rust, R.T., 2017. Technology-driven service strategy. *Journal of the Academy of Marketing Science*, 45(6), pp.906-924.
- Ismail, A.A.H.E. and Abdulkareem, A.M., 2024. Data-driven techniques for quantitative analysis of customer journey mapping in digital commerce. *Emerging Trends in Machine Intelligence and Big Data*, 16(4), pp.1-8.
- Kalasampath, K., Spoorthi, K.N., Sajeev, S., Kuppa, S.S., Ajay, K. and Angulakshmi, M., 2025. A Literature review on applications of explainable artificial intelligence (XAI). *IEEE Access*.
- Kamel, M.A., 2023. Big data analytics and market performance: the roles of customization and personalization strategies and competitive intensity. *Journal of Enterprise Information Management*, 36(6), pp.1727-1749.
- Kbaier, E., Salminen, J. and Jansen, B.J., 2025. “A glimpse into the AI”: exploring the effect of consumers’ chatbot interaction experience on brand attachment and advocacy with the moderating role of AI skepticism. *Asia-Pacific Journal of Business Administration*, pp.1-26.
- Komildjanovna, N.M., 2024. THE POWER OF OPEN-ENDED QUESTION AND ITS CRUCIAL ROLE IN DISCOVERING UNANTICIPATED ANSWERS, GATHERING ADDITIONAL DETAILS AND IM
- Kuma, B.R., 2025. AI-Powered Marketing: Predictive Consumer Behavior and Personalized Campaigns.
- Lopez Ortega, C.A., 2025, July. The Hybrid Advantage: Pioneering a New Era in FMCG-MLM Business Models. In *Business and Media Conferences*.
- Lyu, T., Guo, Y. and Chen, H., 2024. Understanding the privacy protection disengagement behaviour of contactless digital service users: the roles of privacy fatigue and privacy literacy. *Behaviour & Information Technology*, 43(10), pp.2007-2023.
- Maghembe, M. and Magasi, C., 2024. The Role of Customer Perceived Value, Brand Trust and Service Personalization in Shaping Customer Loyalty. *International Journal of Management, Accounting & Economics*, 11(9).
- Motlani, S., Choudhary, S. and Jain, R., 2025. Customization and Personalization: Driving Engagement and Loyalty in the Digital Marketplace. *International Journal of Advances in Business and Management Research (IJABMR)*, 2(4), pp.42-53.

- Naeem, M., Ozuem, W., Howell, K. and Ranfagni, S., 2023. A step-by-step process of thematic analysis to develop a conceptual model in qualitative research. *International journal of qualitative methods*, 22, p.16094069231205789.
- Nowell, L.S., Norris, J.M. White, D.E. & Moules, N.J. 2017. Thematic Analysis: Striving to Meet the Trustworthiness Criteria. *International Journal of Qualitative Methods*. 16(1): 1-13. Article online. Accessed 1 June 2020. <https://doi.org/10.1177/1609406917733847>
- Olateju, O., Okon, S.U., Olaniyi, O.O., Samuel-Okon, A.D. and Asonze, C.U., 2024. Exploring the concept of explainable AI and developing information governance standards for enhancing trust and transparency in handling customer data. Available at SSRN.
- Oluwafemi, I.O., Clement, T., Adanigbo, O.S., Gbenle, T.P. and Adekunle, B.I., 2021. A review of ethical considerations in AI-driven marketing analytics: Privacy, transparency, and consumer trust. *International Journal Of Multidisciplinary Research and Growth Evaluation*, 2(2), pp.428-435.
- Oplatka, I., 2018. Understanding Emotion in Educational and Service Organizations through Semi-Structured Interviews: Some Conceptual and Practical Insights. *Qualitative report*, 23(6).
- Patil, D., 2024. Artificial intelligence-driven customer service: enhancing personalization, loyalty, and customer satisfaction. *Loyalty, And Customer Satisfaction* (November 20, 2024).
- Patil, R., Shivashankar, K., Porapur, S.M. and Kagawade, S., 2024. The role of ai-driven social media marketing in shaping consumer purchasing behaviour: An empirical analysis of personalization, predictive analytics, and engagement. In *ITM Web of Conferences* (Vol. 68, p. 01032). EDP Sciences.
- Razzaq, A., Khan, M.K. and Afzal, K., 2025. AI-driven personalization and Online Purchase Intention: A Moderated Mediation Analysis of Trust and Ease of Use. *Journal of Management Science Research Review*, 4(4), pp.1492-1518.
- RC, A. and Dulloo, R., 2024. The Impact of AI-Driven Personalization on Customer Satisfaction in E-Commerce: Balancing Technology, Transparency, and Control. *Journal of Computational Analysis & Applications*, 33(2).
- Singh, P., 2023. AI-driven personalization in telecom customer support: Enhancing user experience and loyalty. Available at SSRN 5218986.
- Teepapal, T., 2025. AI-driven personalization: Unraveling consumer perceptions in social media engagement. *Computers in Human Behavior*, 165, p.108549.
- Terry, G., Hayfield, N., Clarke, V. and Braun, V., 2017. Thematic analysis. *The SAGE handbook of qualitative research in psychology*, 2(17-37), p.25.
- Tomaszewski, L.E., Zarestky, J. and Gonzalez, E., 2020. Planning qualitative research: Design and decision making for new researchers. *International journal of qualitative methods*, 19, p.1609406920967174.
- Vallabhaneni, A.S., Perla, A., Regalla, R.R. and Kumari, N., 2024. The power of personalization: AI-driven recommendations. In *Minds Unveiled* (pp. 111-127). Productivity Press.

- Valori, I., Jung, M.M. and Fairhurst, M.T., 2024. Social touch to build trust: A systematic review of technology-mediated and unmediated interactions. *Computers in Human Behavior*, 153, p.108121.
- Vashishth, T.K., Sharma, K.K., Kumar, B., Chaudhary, S. and Panwar, R., 2024. Enhancing customer experience through AI-enabled content personalization in e-commerce marketing. *Advances in digital marketing in the era of artificial intelligence*, pp.7-32.
- Wang, X., Tajvidi, M., Lin, X. and Hajli, N., 2020. Towards an ethical and trustworthy social commerce community for brand value co-creation: A trust-commitment perspective. *Journal of business ethics*, 167(1), pp.137-152.
- Zhang, B. and Sundar, S.S., 2019. Proactive vs. reactive personalization: Can customization of privacy enhance user experience?. *International journal of human-computer studies*, 128, pp.86-99.