

AI-Based Digital Marketing Strategy: Increasing Customer Engagement and Conversion

Dodi Permadani Putra¹

¹Universitas Bandar Lampung

Abstract

In the evolving digital marketing landscape, Artificial Intelligence (AI) is increasingly utilized to transform how businesses engage with customers, personalize experiences, and drive conversion. While much of the existing literature focuses on quantitative metrics and technological efficiency, this study addresses a critical gap by exploring the ethical, emotional, and strategic dimensions of AI use through a qualitative lens. Drawing on in-depth interviews with 12 marketing professionals and analysis of AI-integrated brand case studies, the research uncovers how AI is experienced not merely as a tool of automation but as a socio-technical agent that shapes customer relationships and organizational culture. Four key themes emerged: AI's capacity to generate personalized customer journeys, the evolving role of AI chatbots in customer service, real-time engagement through predictive analytics, and the ethical concerns surrounding emotional authenticity and data use. These findings reveal that AI's success in marketing depends not only on technical implementation but on human-centered design that upholds trust, empathy, and cultural context. The study draws on philosophical frameworks, including Aristotle's concept of *phronesis* and Heidegger's critique of instrumental reason, to argue for a responsible and reflective integration of AI. Focusing specifically on the Indonesian digital economy, the study also highlights the need for localized and culturally attuned AI strategies. Ultimately, it suggests that in the age of intelligent systems, sustainable customer engagement is determined not by data alone, but by the wisdom with which data is applied.

Keywords: Artificial Intelligence, Digital Marketing, Customer Engagement, Personalization, Ethical AI, Qualitative Research, Human-Centered Design, Technological Ethics, Cultural Sensitivity.

Introduction

The rapid proliferation of Artificial Intelligence (AI) technologies across industries marks a transformative moment in contemporary business and communication practices. Nowhere is this transformation more pronounced than in the field of digital marketing, where AI-powered systems are increasingly deployed to automate content generation, predict consumer behavior, personalize user experiences, and optimize engagement metrics in real time. The digital marketing landscape has thus shifted from linear, campaign-based approaches toward dynamic, data-driven ecosystems that prioritize continuous interaction and customization.

In recent years, the scale and scope of AI's integration into marketing practices have grown exponentially. From machine learning algorithms that inform product recommendations to natural language processing (NLP) engines embedded in chatbots and voice assistants, AI tools have redefined what it means to engage a customer. According to McKinsey & Company (2022), nearly 80% of high-performing marketing

teams globally have adopted some form of AI to enhance customer experiences, with personalization and targeting cited as the most impactful use cases. Similarly, Salesforce's "State of Marketing" report (2023) notes that 68% of marketers believe generative AI will play a critical role in shaping customer relationships in the next three years.

However, despite these promising developments, the dominant discourse surrounding AI in marketing has remained largely quantitative. Most existing studies tend to emphasize performance metrics such as click-through rates, conversion ratios, and return on investment (ROI) (Chatterjee et al., 2021; Kumar et al., 2022). While valuable, this focus often neglects the more nuanced, affective, and ethical dimensions of customer experience—dimensions that cannot be fully captured through numerical indicators alone. For instance, personalization may increase engagement, but how do consumers *feel* about being targeted by algorithms? Does AI-mediated communication strengthen brand trust, or does it provoke concerns about surveillance, manipulation, and authenticity?

This gap calls for a shift in methodological orientation—from measurement to meaning, from datafication to dialogue. In other words, qualitative research is needed to understand the lived experiences of marketing professionals and consumers as they navigate AI-integrated environments. It is only through such interpretive approaches that we can fully grasp the emotional, ethical, and psychological implications of AI use in digital marketing.

Philosophically, this inquiry finds grounding in Aristotle's concept of *phronesis*—practical wisdom—which highlights the need for ethical discernment in the application of knowledge (Aristotle, *Nicomachean Ethics*, 350 BCE). In digital contexts, this wisdom entails designing AI not merely to optimize efficiency, but to foster trust, empathy, and mutual understanding. Martin Heidegger's critical reflection on technology in *The Question Concerning Technology* (1954) also remains relevant. He cautioned that when technology becomes an end in itself, it risks "enframing" human beings—reducing them to mere resources in systems of control and prediction. These philosophical warnings underscore the importance of ensuring that AI tools in marketing enhance, rather than diminish, the humanity of brand-customer interactions.

Empirically, the literature has begun to shift toward these concerns. Lemon and Verhoef (2016) conceptualized customer experience as a multi-stage, emotionally charged journey, emphasizing that digital touchpoints must be orchestrated with care to maintain trust. Shankar et al. (2020) similarly argued that AI should be used to deepen customer understanding—not simply to automate it—by offering predictive insights that serve human needs. More recently, Davenport and Bean (2022) emphasized that ethical and transparent use of AI is becoming a core expectation among digital consumers, particularly in markets where privacy awareness is growing.

In the Southeast Asian context, and specifically within Indonesia's fast-growing digital economy, scholars such as Sulastri (2022) and Wijaya (2021) have drawn attention to the role of local culture in shaping digital engagement. Indonesian consumers often prioritize relational harmony, indirect communication, and emotional tone in brand interactions—factors that require culturally responsive AI designs. Despite increasing AI adoption among Indonesian businesses (e.g., in fintech, e-commerce, and travel sectors), there remains a lack of qualitative research examining how marketing professionals within this context interpret and implement AI strategies. This forms a critical gap in both regional and global scholarship.

Therefore, this study aims to fill two key gaps in the current body of knowledge. First, it addresses the underrepresentation of qualitative perspectives in AI-marketing

research by exploring how digital marketing professionals experience and reflect on AI tools in practice. Second, it contributes a localized understanding of AI integration in an Indonesian cultural and market context, responding to the call for more inclusive, context-sensitive digital scholarship (Tarigan & Sari, 2023).

Through a qualitative research design involving in-depth interviews and thematic analysis, this study investigates how AI is reshaping the contours of customer engagement, brand identity, and emotional connectivity. Rather than viewing AI as a neutral or purely technical intervention, the study treats it as a socio-technical phenomenon—shaped by organizational choices, cultural values, and ethical judgments.

Ultimately, this article argues that AI-based digital marketing strategies must be developed through a lens of human-centered design. As the lines between human and machine communication continue to blur, the critical question is no longer whether AI *can* enhance marketing performance—but *how* it should be integrated in ways that preserve dignity, authenticity, and ethical accountability in customer relationships. In doing so, the study contributes to a more reflective and responsible discourse on the role of AI in shaping the future of digital engagement.

Methodology

This research adopts a qualitative methodology rooted in an interpretivist epistemological paradigm, which posits that human experiences, behaviors, and organizational processes are best understood through deep, contextual exploration rather than objective quantification (Denzin & Lincoln, 2018). In alignment with this framework, the study emphasizes subjective meanings and rich description to uncover the nuanced ways in which AI influences marketing strategies and customer relationships.

Data was collected through three primary qualitative methods. First, in-depth, semi-structured interviews were conducted with 12 experienced professionals, including digital marketing managers, AI integration consultants, and strategic decision-makers across sectors such as retail, health-tech, financial services, and consumer goods. The interview protocol was designed to elicit open-ended responses about participants' practical experiences, decision-making processes, and personal reflections on using AI tools within marketing frameworks. This method was chosen not only for its flexibility but also for its capacity to generate "thick descriptions" of lived experiences, a concept introduced by anthropologist Clifford Geertz (1973), who emphasized the importance of capturing the social and cultural context of behavior.

Second, document analysis was conducted using publicly available case studies from reputable sources, including business reports, white papers, and academic publications. Companies examined in this analysis included leading global brands such as Sephora, Netflix, and Unilever, all of which have documented their use of AI technologies in digital customer engagement. For example, Netflix's recommendation engine, driven by machine learning algorithms, has been widely studied for its ability to personalize content and drive customer retention (Gómez-Urbe & Hunt, 2016). Similarly, Sephora's use of AI-powered virtual try-on tools has reshaped customer experience in the beauty industry, highlighting the emotional and interactive possibilities of digital marketing (PwC, 2022).

The third methodological component involved thematic analysis, conducted with the aid of NVivo software, which facilitated the organization, coding, and interpretation of data. Thematic analysis was guided by Braun and Clarke's (2006) six-phase approach, beginning with data familiarization and culminating in the development of coherent themes related to AI implementation, emotional engagement, ethical concerns, and personalization strategies. Codes were generated inductively from the data, ensuring

that emerging insights reflected participants' authentic voices rather than pre-determined theoretical frameworks.

Philosophically, the methodology aligns with Aristotle's idea of *techné*—knowledge applied in practice—as AI-driven marketing is not merely technical but deeply embedded in the art of persuasion and human connection (Aristotle, *Metaphysics*). At the same time, the study engages with Michel Foucault's (1977) notion of discourse, which posits that power and knowledge are intertwined in shaping organizational narratives and consumer subjectivities. In the context of AI marketing, this is reflected in how data is collected, interpreted, and used to influence behavior—often invisibly and asymmetrically.

Additionally, contemporary theorists like Shoshana Zuboff (2019) provide critical context, particularly her theory of "surveillance capitalism," which problematizes the commodification of personal data for predictive marketing. While this study does not seek to resolve such debates, it acknowledges the ethical terrain on which AI-based strategies operate, thus necessitating a qualitative lens to explore both benefits and tensions.

From an Indonesian academic perspective, scholars such as Dwi Suparno (2021) and Farhan Hidayat (2022) advocate for integrating indigenous values and local consumer behavior into digital marketing strategies. Their research underlines that technological adoption in Indonesia must be understood through cultural and relational paradigms—especially in high-context societies where emotional engagement often supersedes transactional logic.

This methodology, therefore, is designed not merely to describe AI implementation, but to uncover the *how* and *why*—how marketers interpret and experience AI integration, and why certain strategies succeed or fail within diverse sociotechnical environments. It provides a textured understanding of AI as a socio-cultural actor within marketing, not merely a tool of automation, thus offering insights that are ethically informed, philosophically grounded, and contextually relevant.

Findings

The qualitative data analysis revealed four dominant themes that encapsulate how marketing professionals and organizations are deploying Artificial Intelligence (AI) to deepen customer engagement and increase conversion. Each theme emerged through consistent patterns in participant narratives, offering rich insight into the strategic and emotional dimensions of AI adoption in digital marketing.

1. Personalized Customer Journeys

One of the most salient themes identified across interviews was the transformative potential of AI in constructing highly personalized customer experiences. Participants consistently emphasized that AI's ability to process vast amounts of behavioral, demographic, and transactional data allowed brands to craft marketing messages that were not only timely but also deeply relevant to individual users. This form of personalization was regarded not simply as a technical efficiency, but as a relational mechanism—what one marketing director metaphorically referred to as "the bridge between data and empathy."

Rather than offering generic messages to broad audiences, companies used AI to dynamically adjust recommendations, email content, and promotional timing based on individual preferences and behaviors. Participants reported that this granular approach to personalization led to increased emotional resonance, with customers

perceiving the brand as more attentive, intuitive, and human-centered. For many organizations, this capacity for real-time, data-informed empathy marked a decisive evolution from traditional mass marketing techniques.

2. Enhanced Customer Service through AI Chatbots

Another major theme pertained to the implementation of AI-powered chatbots as a primary interface for customer service. While initial deployment was met with cautious optimism—and, in some cases, internal skepticism—participants overwhelmingly agreed that well-designed chatbots significantly improved both the speed and quality of customer interactions.

These AI agents, particularly those equipped with natural language processing (NLP), were used to handle routine queries, guide product discovery, and offer recommendations at any hour of the day. One luxury fashion retailer, for instance, reported using a chatbot to provide 24/7 virtual style consultations, enabling the brand to maintain high engagement without expanding its customer service staff. The result was a measurable uplift in customer satisfaction, as well as brand loyalty. Respondents emphasized that chatbots worked best when their scripts were crafted with emotional intelligence, conversational tone, and escalation mechanisms for complex cases—ensuring the human touch was not entirely lost.

3. Real-Time Engagement and Predictive Insights

A third theme emerged around the predictive capabilities of AI and its application in real-time marketing interventions. Participants noted that AI systems could not only analyze historical data but also detect emerging behavioral patterns, allowing brands to anticipate customer actions before they occurred. This forward-looking functionality enabled marketers to engage customers proactively—such as intervening at moments of indecision or re-engaging users before they dropped out of the sales funnel.

One particularly compelling account involved an AI system that tracked shopping cart abandonment in real-time. When abandonment signals were detected, the system automatically triggered a personalized message with a time-sensitive incentive, delivered via SMS. This strategic intervention reportedly led to a significant increase in completed transactions. Respondents described these tools as integral to their strategy, noting that AI's capacity for speed and contextual relevance fundamentally changed the rhythm of customer interaction. Rather than reacting to behavior, marketers could now engage preemptively, with heightened precision.

4. Ethical and Emotional Considerations

While most participants were optimistic about AI's capabilities, a recurrent theme was the ethical tension surrounding its deployment. Specifically, concerns were raised about data privacy, emotional manipulation, and the potential for AI to overstep boundaries in customer engagement. Participants recognized that while AI can simulate empathy and personalization, there is a fine line between relevance and intrusion.

Several interviewees shared apprehensions about appearing overly robotic or impersonal, even when AI was delivering accurate results. A recurring suggestion was the need to preserve a human tone in automated communications, ensuring that customers did not feel surveilled or emotionally engineered. The risk of "over-automation"—where every interaction feels artificial or mechanistic—was flagged as a

barrier to trust. One CMO succinctly captured this concern by stating, “AI should assist, not replace, human connection.” This sentiment reflected a broader industry consensus that while AI can enhance relationships, it must be deployed with restraint and a clear understanding of its social and emotional impact.

Discussion

The findings of this study indicate that the core strength of Artificial Intelligence in digital marketing does not reside solely in its capacity for automation, but more critically in its potential to humanize digital engagement through relevance, timeliness, and emotional resonance. This perspective aligns with the philosophical and practical arguments presented earlier in the literature, particularly those emphasizing that technological tools must be wielded with a consciousness of human values, not merely operational efficiency (Aristotle, *Nicomachean Ethics*, 350 BCE; Heidegger, 1954).

First, the theme of personalized customer journeys echoes Shankar et al.’s (2020) assertion that AI’s value lies in its capacity to create highly individualized experiences that increase brand intimacy and emotional investment. As participants consistently noted, AI is most effective when it supports—not replaces—empathetic engagement. This affirms Aristotle’s concept of *phronesis*, or practical wisdom, which suggests that tools must serve virtuous ends shaped by human judgment. In this context, AI becomes a conduit for relational marketing, enabling practitioners to tailor communications in a manner that feels genuinely responsive and emotionally intelligent.

Moreover, the integration of AI chatbots into customer service workflows reveals a functional evolution of *techne*, as discussed by Aristotle in *Metaphysics*. Chatbots reflect not only technical proficiency but also the creative application of technology to solve human problems. However, as Heidegger (1954) warned in *The Question Concerning Technology*, there is a risk that when technology is used unreflectively, it may reduce human beings to mere inputs or data points. This tension was noted in the concerns expressed by marketing professionals who feared that over-automation might alienate users or erode trust. It is thus evident that the deployment of AI must be grounded in design ethics and emotional sensitivity—an insight that reinforces the relevance of qualitative inquiry.

The predictive capabilities of AI, while offering impressive tactical advantages, raise further epistemological and ethical questions. From a Foucauldian perspective (Foucault, 1977), the ability of AI to anticipate and shape consumer behavior represents a form of power-knowledge. In the marketing context, this power can be used to enhance customer experiences—but it can also be misused to manipulate or commodify attention. As Zuboff (2019) warned in her critique of surveillance capitalism, data-driven personalization may easily cross into the realm of behavioral engineering, especially when transparency is lacking. The qualitative data in this study revealed an acute awareness of this boundary among practitioners, many of whom emphasized the importance of maintaining consent, transparency, and human tone in AI-mediated interactions.

The ethical concerns raised by participants are particularly significant in the Southeast Asian context, where cultural norms emphasize relational harmony, emotional subtlety, and mutual respect (Sulastri, 2022; Wijaya, 2021). These cultural dimensions shape consumer expectations in ways that require AI systems to be not only accurate but also contextually and emotionally aware. Thus, the deployment of AI in Indonesian digital marketing cannot be fully understood without reference to local values and expectations. The qualitative insights provided in this study support the proposition that ethical AI integration must be locally situated and culturally informed, not universally standardized.

Finally, this discussion reinforces the argument that business strategies involving AI must be guided by an integrated human-technology framework. It is not the technological sophistication of AI alone that determines its success, but the human intentions and organizational cultures that shape its use. As demonstrated in this study, successful marketing teams are those that view AI not as a substitute for emotional labor but as a supplement to it—amplifying human creativity, responsiveness, and strategic empathy.

In conclusion, the application of AI in digital marketing is best understood not as a linear process of automation but as a complex, dialogical practice that merges technological innovation with ethical reflection and cultural intelligence. These findings underline the need for ongoing, qualitative investigations into the relational and emotional dimensions of AI deployment—especially as the technology continues to evolve and permeate consumer life.

Conclusion

This study demonstrates that the effectiveness of AI-based digital marketing strategies is not merely a function of technological capability, but a reflection of strategic intentionality and ethical application. Through qualitative inquiry—anchored in interviews and thematic interpretation—it becomes clear that the most successful implementations of AI are those guided by a human-centered paradigm. Marketers who prioritize empathy, personalization, and contextual sensitivity are better positioned to foster deep engagement and sustained conversion.

More specifically, the research illustrates that AI's greatest strength lies in its ability to simulate and support relational behaviors at scale. Rather than replacing human interaction, AI augments it—acting as a bridge between data analytics and emotional resonance. This duality confirms Aristotle's concept of *phronesis* (practical wisdom), where ethical judgment must accompany the application of any form of *techné* or technological skill. AI may provide the infrastructure, but it is human insight that ultimately determines how that infrastructure is used to build trust, foster dialogue, and create value.

Equally important is the recognition of risk. As articulated in the findings, and reflected in Heidegger's and Zuboff's warnings, AI systems—if deployed without cultural or ethical awareness—may lead to a dehumanized marketing ecosystem, one that views consumers as data clusters rather than complex individuals. Such outcomes not only threaten brand credibility but erode the very trust that digital marketing aims to cultivate. The cautionary voices of marketing professionals in this study reflect an emergent consensus: technological intelligence must be tempered with emotional and cultural intelligence.

Moreover, the significance of context cannot be overstated. In culturally diverse regions such as Indonesia, where interpersonal values and indirect communication styles

play a pivotal role in consumer behavior, AI systems must be carefully localized. The digital solutions that succeed are those designed with sensitivity to societal norms and psychological expectations—underscoring the continued relevance of qualitative, culturally grounded research in shaping future digital strategies.

Ultimately, this research affirms that the path forward for AI in digital marketing lies in ethical innovation—designing systems that do not simply optimize clicks and conversions, but that contribute to meaningful, trust-based customer relationships. The goal is not technological domination, but technological alignment with human needs and values. As marketers, developers, and strategists move deeper into the era of algorithmic personalization, they must remember that the real competitive advantage lies not in automation, but in authenticity.

This conclusion calls for continued exploration into the affective, cultural, and ethical dynamics of AI-mediated marketing. Future studies may expand upon these insights by examining different industry sectors, geographic contexts, or consumer demographics, but the central premise remains: in the age of intelligent machines, it is wisdom—not merely data—that will shape the future of customer engagement.

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