

# Bridging Artificial Intelligence Marketing and Customer Loyalty: The Mediating Role of Perceived Value

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**Abstract** – This study investigates the influence of artificial intelligence (AI)-driven marketing practices on customer loyalty with a particular focus on perceived value as a mediating variable. By leveraging advanced AI technologies, such as personalized recommendations, predictive analytics, and dynamic customer engagement strategies, businesses aim to enhance customer experiences and foster long-term loyalty. A total sample of 499 respondents was selected using a non-probability convenience sampling method due to accessibility and resource considerations. The hypotheses were tested utilizing the SmartPLS statistical tool. The study identifies key dimensions of AI marketing that effectively create perceived value and examines their direct and indirect effects on customer loyalty. The result shows AI marketing influences customer loyalty. Furthermore, customer perceived value influences loyalty. Finally, perceived value mediates the relationship between AI marketing and customer loyalty. The findings offer actionable insights for businesses seeking to optimize their AI marketing strategies to strengthen customer relationships and sustain competitive advantage.

**Keywords** – AI marketing, Artificial intelligence, Loyalty, Perceived value, Social media.

## I. INTRODUCTION

Artificial intelligence (AI) is advancing at breakneck speeds and integrating with almost every industry, changing how businesses operate and connect with their customers. As marketing sits at the tip of the spear when it comes to most customer interactions, this function is being radically transformed by AI-powered tools and technologies (Massoudi et al., 2024).

The rapid advancement of AI in marketing has transformed customer interactions, personalization, and engagement strategies. Businesses are increasingly adopting AI-driven marketing tools, such as chatbots, recommendation systems, and predictive analytics, to enhance customer experiences. However, in Iraq, the adoption of AI marketing remains in its early stages with limited empirical research examining its impact on customer loyalty. While AI-driven marketing strategies have the potential to improve customer satisfaction and retention, their effectiveness in fostering customer loyalty in the Iraqi market is not well understood. Furthermore,

customer perceptions of AI-generated value, such as convenience, personalization, and service quality may play a crucial role in determining loyalty outcomes. Therefore, it is essential to investigate how AI marketing influences customer loyalty and whether perceived value mediates this relationship.

Despite growing global research on AI marketing and customer loyalty, studies focusing on developing economies, particularly Iraq, are scarce. Existing literature primarily examines AI marketing in technologically advanced countries, where consumer familiarity and digital infrastructure are well-established. However, in Iraq, factors such as technological readiness, cultural attitudes toward AI, and varying levels of digital literacy may influence how customers perceive AI-driven marketing efforts. In addition, limited research explores the mediating role of perceived value in AI marketing and customer loyalty relationships. Addressing this gap will provide valuable insights into the unique challenges and opportunities for AI-driven marketing

strategies in Iraq, helping businesses enhance customer engagement and loyalty. This study examines the relationship between AI marketing practices and customer loyalty. In particular, it studies the impact of different practices of AI-enabled marketing such as personalized recommendations, targeted advertising, and AI-powered customer service on consumer loyalty. In addition, it investigates whether perceived value mediates such relationship.

## II. LITERATURE REVIEW

In recent research, studies show the effect AI-focused marketing practices have on consumer loyalty and customer overall value. Moreover, e-commerce and customer service applications of AI technologies have been proven to improve customer satisfaction, efficiency, and loyalty (Singh and Singh, 2024; Kanapathipillai et al., 2024). The third variable of perceived value is essential when it comes to customer loyalty due to its role as a mediator between marketing strategies and customer loyalty (Alkufahy et al., 2023). The use of AI chatbots and personalized services results in better relations with customers and retention, especially in luxurious products and tourism industries (Khamoushi Sahne, 2023; Kanapathipillai et al., 2024). On the other hand, negative aspects of AI in marketing (privacy issues and perceived risk) can harm customer reactions (Barari et al., 2024). Emotionally intelligent PR practices coupled with AI bring a positive effect on customer loyalty (Jeljeli et al., 2022). In general, the effects of AI marketing practices on perceived value and customer loyalty are significant with mediated by perceived value.

### A. AI Marketing

The message here is bears emphasis: AI has become one of the most revolutionary market tools to boost customer engagement, log into their minds, and generate campaigns that help in burgeon at a remarkable pace. The purpose of this literature is to show how AI applications differ from each other, direct value, and the challenges that organizations need to face while utilizing AI-enabled systems in their marketing activities based on recent research and natural language processing.

AI algorithms scan massive amounts of consumer data and provide personalized product or service recommendations. It promotes a seamless customer experience, builds engagement, and propels sales. Research by Kumar et al. personalized engagement marketing the other prominent example of AI application is in personalized engagement marketing, one where marketers can use it to engage customers more effectively by making the interactions relevant and exciting with its predictive power.

Targeted ads: AI uses data about users to determine which segments of the population are most likely to respond positively to an advertisement, allowing for targeted ad placement. This AI mechanism provides a boost to ad relevance while reducing wasted expenditure on ads, thereby helping you improve your return on investment. Lambrecht

and Tucker (2013) analyze the effects of AI-driven retargeting in online advertising and show how it can increase click-through rates and conversion rates immensely.

AI can also create different forms of marketing content; this includes product descriptions, social media posts, and email subject lines. This keeps marketers free to do advanced-level things and aid in overcoming creative blocks. Although content creation with AI is still in its infancy, it is already evolving fast enough to include tools, such as Jasper and copy. AI gaining popularity. Research by See et al. The impact of AI on creativity: An exploratory study (2023) examines the influence of AI systems for the extension of human creativity in a time when machines increase our productivity but are also able to produce innovative and unique artistic expression.

AI chatbots offer real-time support to customers and help them find solutions to their questions. Thus, it enhances customer satisfaction by decreasing response time and allows human agents to deal with more complex inquiries. As Huang and Rust (2018) said, advanced technologies, such as AI are playing an increasingly important role in the service industries, and chatbots can help create a better customer experience and making service more efficient.

Predictive analytics: AI analyzes data to predict customer behavior, such as churn risk or purchase intent. It helps marketers to mitigate customer churn, tailor opportunities, and improve marketing campaigns. Jameel et al. (2021) indicated that the increasing availability of big data enables customers to be profiled in ways never seen before, it is also probable that we are moving toward a world where strangers can dynamically adjust their offer price based on knowledge about an individual customer (Agha et al., 2023).

AI can help aggregate market data from several sources; analyze it to identify changing market trends, competitor behavior, and consumer sentiment. This helps marketers understand consumer behavior to make better-informed decisions regarding product development, pricing, and marketing. Ng et al. (2020) provide a comprehensive summary of how AI is changing the marketing domain, highlighting its potentially transformative effects on market research and analysis.

### B. Perceived Value

Perceived value, a foundational concept in marketing and consumer behavior research is a multi-dimensional construct that has been shown to have a significant effect on customer choice, satisfaction, and loyalty. In this literature review, we track the evolution of perceived value; key dimensions of marketing in practice; nature and influencing factors on perceived value; and how it affects consumer behaviors.

Early research framed value narrowly in economic terms, emphasizing functional benefits and monetary sacrifices (AI-Delawi et al., 2022). On the other hand, Zeithaml (1988) extended this notion and defined perceived value as a consumer's overall assessment of the utility of a product based on perceptions. This perception is compared with what is given against what is received. Such a definition puts

emphasis on the fact that value is subjective and it entails more than just money; Subsequent study also broadened the original concept to a more contemporary view of multiple values such as functional, emotional, social, and epistemic value (Massoudi, 2024)). This three-dimensional perspective highlights that consumers look for a range of values in products and services, apart from functional utility.

The Five dimensions of perceived value:

1. Functional value: It is delineated as utilitarian benefits that are functional
2. Emotional value: This is based on the utility derived from the ability of a product or service to arouse feelings, moods or affective states, joyfulness, excitement, safety or nostalgia, and other emotions
3. Social value: Benefit derived from a product or service that can improve social connections reinforce or enhance social status Finding introverts and extroverts; enhancing the context-specific sense of belonging
4. Epistemic value: Epistemic value is the benefit you get from gaining new knowledge, satisfying your curiosity through a product or service, or experiencing something novel
5. Conditional value: This is the other characteristic of situational value.

### C. Customer Loyalty

Customer loyalty determines the competitive position organizations have to achieve commercial success (Massoudi, 2020). Within this notion, two types exist: Attitudinal and behavioral. Attitudinal loyalty means favorable feelings toward the organization, whereas behavioral loyalty implies actual economic benefits for the organization (Islam et al., 2021). Customer loyalty has led companies to re-buying or re-supporting products and services by attracting new customers and maintaining present ones. Customer loyalty reduces marketing costs to capture new customers and encourages existing ones to continue buying (Toufaily and Pons, 2017). Thus, it maintains the present clientele strengthening its loyalty and generating a differential advantage. Hence, highly loyal customers have the inclination to frequent a web shop, buy things, and recommend it.

### D. Hypothesis Development

#### *AI and customer loyalty*

Research on AI and customer loyalty is scarce. Chen et al. (2024) examine how AI service quality affects customer loyalty by chatbots. In conclusion, one analysis of 459 surveys indicated that chatbots improved service quality and customer loyalty through cognitive trust, perceived value, satisfaction, and emotional trust. Prentice and Nguyen (2020) studied the impact of AI and employee service quality on customer loyalty and satisfaction. The research investigated departing guests from various Portuguese hotels that provided both staff-based and AI services. The findings revealed significant effects of AI and employee service quality on customer satisfaction and loyalty. Yet when these two variables were both inputted into a regression equation,

the effects of AI were negative and insignificant Prentice and Nguyen (2020). Based on this discussion, the authors propose the following hypothesis:

H<sub>1</sub>: AI marketing practices positively influence customer loyalty.

#### *AI and perceived value*

With several new ways to create enhanced perceived value from AI, it is changing the modes of business engagement with prospective and present customers. AI improves the perceived relevance and usefulness of products through personalized recommendations, resulting in increased customer satisfaction and purchase intentions (Kumar et al., 2022). AI-enabled customer service through chatbots and virtual assistants increases convenience and minimizes customer efforts rendering functional and emotional value ultimately leading to better satisfaction and loyalty (Huang and Rust 2018). In addition, through AI-driven content generation and bespoke community platforms, AI can also drive different types of perceived value specifically the emotional (narratives) and social aspects such as brand communities (Massoudi and Fatah, 2024). However, there are some ethical concerns related to data usage and algorithmic bias that we have to address if we want AI to create trust in our customers. Accordingly, the authors propose the following hypothesis:

H<sub>2</sub>: AI marketing practices positively influence perceived value.

#### *Perceived value and customer loyalty*

Marketing literature has extensively examined the role of perceived value in customer loyalty. The starting point who establish perceived value (consumer's overall evaluation of the utility of a product based on both the perception of what is received and what is given (Massoudi and Birdawod, 2023). Zeithaml (1988) customer satisfaction and loyalty are thus dependent on this sort of assessment (Cronin et al., 2000). Research indicates that customers who perceive high value in a service or product are more likely to repeat purchases and act as loyal advocates (Heskett et al., 1997). Moreover, perceived value is a central element for forming long-term customer relationships and creating a sustainable competitive advantage (Sirdeshmukh et al., 2002). Perceived value has multiple aspects, such as the quality of product, price paid, brand image, and customer service (Sweeney and Soutar, 2001). Based on this discussion, the authors postulate the following hypothesis:

H<sub>3</sub>: Perceived value positively influences customer loyalty.

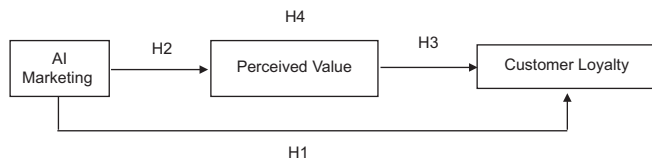
#### *Perceived value as a mediator*

Perceived value is a common mediator and moderator in marketing relations with consumers. This extrapolates that and observes when and why various factors affect behavior. As an illustration, previous research demonstrated that the relationship between customer satisfaction and loyalty is mediated by perceived value (Zeithaml, 1988; Cronin et al., 2000). It's most obvious implication is that happy customers have a greater likelihood of becoming loyal because they now see that the product or service has high value. In the

same vein, perceived value mediates the relationship between service quality and customer retention (Heskett et al., 1997). An amazing service increases the perceived value even more and thereby improves customer retention. In addition, brand image also indirectly influences purchase intention through perceived value (Keller, 1993). Having a strong brand image increases perceived value and consumers become willing to buy. By understanding the indirect effect of perceived value, marketers will be equipped with more information in regard to actions and approaches that should be implemented for enhanced customer satisfaction, loyalty, and overall business performance. From the above discussion, the authors proposed the following hypothesis.

H<sub>4</sub>: Perceived value mediates the relationship between AI marketing practices and customer loyalty.

E. Research Model



III. METHODOLOGY

This study adopted a quantitative research approach to investigate the influence of AI marketing practices on customer loyalty, with perceived value as a mediator. A structured survey was used as the primary data collection tool. The survey was designed based on validated measurement scales from existing literature, tailored to the context of AI marketing practices, perceived value, and customer loyalty.

The target population for this study comprised of Iraqi consumers who have interacted with businesses utilizing AI-driven marketing practices. A total sample of 499 respondents was selected using a non-probability convenience sampling method due to accessibility and resource considerations. The sample was chosen to represent a diverse demographic, including variations in age, gender, education, and income levels, and frequency of using online platforms for shopping or services to ensure the findings could be generalized to a broad spectrum of Iraqi consumers.

A. Survey Design

The survey instrument consisted of four main sections: Demographic information: Questions related to age, gender, education level, income, and frequency of interaction with AI-enabled services. AI marketing practices: A set of 5 items measuring consumer perceptions of personalized recommendations, chatbots, predictive analytics, and dynamic pricing strategies adapted from Massoudi et al. (2024). Perceived value: 3 items capturing both functional (e.g., efficiency, usefulness) and emotional (e.g., enjoyment, trust) aspects of perceived value adapted from Sweeney and Soutar (2001). Customer loyalty: 3 Questions measuring

attitudinal loyalty and behavioral loyalty adapted from Massoudi (2020). All survey items were rated on a five-point Likert scale, ranging from 1 (“Strongly Disagree”) to 5 (“Strongly Agree”).

B. Data Collection and Ethical Consideration

The survey was distributed both online and in person to ensure wide participation and accessibility. Online surveys were shared through social media platforms and email, while in-person data collection was conducted in shopping centers and public spaces. Data collection was carried out over a 2-month period, ensuring a sufficient response rate.

The collected data were analyzed using structural equation modeling to examine the relationships among AI marketing practices, perceived value, and customer loyalty. The Statistical Packages for the Social Sciences was used for descriptive statistics and data cleaning. The mediating effect of perceived value was assessed using the bootstrapping technique.

Participation in the study was voluntary, and respondents were assured of the confidentiality of their responses. Informed consent was obtained before participation, and the study adhered to ethical guidelines for research involving human participants. This methodology provides a robust framework for exploring the impact of AI marketing practices on customer loyalty within the context of Iraqi consumers. Table I shows the demographic variables for respondents.

IV. RESULTS AND DISCUSSION

A. Construct Reliability and Validity

As it can be seen in the results shown on Table II and Fig. 1, the constructs passed the reliability test (i.e., Cronbach’s

TABLE I  
DEMOGRAPHIC VARIABLES

Demographic variables	Categories	Frequency (n)	Percentage
Gender	Male	240	48.1
	Female	259	51.9
Age group	18–24 years	120	24.0
	25–34 years	200	40.1
	35–44 years	120	24.0
	Above 45	59	11.8
Education level	High school	100	20.0
	Bachelor’s degree	250	50.1
	Master’s degree	120	24.0
Employment status	Ph.D.	29	5.8
	Employed	300	60.1
	Unemployed	99	19.8
Monthly income	Student	100	20.0
	<\$500	150	30.1
	\$500–\$1,000	200	40.1
Frequency of using online platforms for shopping or services	>\$1,000	149	29.8
	Rarely	150	30.1
	Occasionally	199	39.9
	Frequently	150	30.1

Alpha, rho\_A, composite reliability (CR), and average variance extracted (AVE) based on Hair et al. (2024). First, Cronbach’s Alpha values of all constructs are above the said threshold of 0.70 (AI marketing = 0.787, customer loyalty = 0.914, customer perceived value = 0.923), suggesting a robust internal consistency reliability. Similarly, the CR values for all constructs (AI marketing = 0.855, customer loyalty = 0.946, customer perceived value = 0.952) are above the 0.70 threshold, which establishes the reliability of the constructs. The AVE values of customer loyalty (0.854) and customer perceived value (0.867) are also >0.50, supporting convergent validity. Although the AVE of AI marketing is a bit lower (0.552), it is still above the minimum acceptance level (Hair et al. (2024)). In conclusion, the constructs demonstrate a relatively good level of reliability and convergent validity, indicating their use is appropriate in further analyses.

*B. Outer Loadings of Constructs*

As noted in Table III, AI4 and AI5 were dropped due to low outer loadings (<0.70), as per the guidelines in Hair

TABLE II  
ITEM LOADING AND VALIDITY

Constructs	Item	Outer Loading	CA	Rho_A	CR	AVE
AI marketing	AI1	0.849	0.787	0.818	0.855	0.552
	AI2	0.837				
	AI3	0.850				
	AI4	0.562				
	AI5	0.545				
Customer loyalty	CL1	0.957	0.914	0.920	0.946	0.854
	CL2	0.889				
	CL3	0.924				
Customer perceived value	CPV1	0.929	0.923	0.924	0.952	0.867
	CPV2	0.917				
	CPV3	0.947				

TABLE III  
R<sup>2</sup> AND ADJUSTED R<sup>2</sup>

Constructs	R <sup>2</sup>	R <sup>2</sup> adjusted
Customer loyalty	0.555	0.552
Customer perceived value	0.272	0.270

et al. (2024). According to Hair et al. (2024), outer loadings represent the strength of the relationship between an indicator and its construct, with loadings above 0.708 considered acceptable as they indicate that the indicator explains more than 50% of the variance (R<sup>2</sup> > 0.5). Indicators with loadings between 0.40 and 0.70 can be considered for removal if their exclusion improves the AVE or CR, while indicators below 0.40 should be dropped due to insufficient reliability. In this study, AI4 (0.562) and AI5 (0.545) were dropped from the “AI Marketing” construct because their loadings fell below the threshold of 0.70, and their removal is expected to enhance the reliability and validity metrics of the construct. The retained indicators (AI1, AI2, AI3, CL1, CL2, CL3, CP2, CP3, and CPV1) demonstrate strong outer loadings above the 0.70 threshold, confirming their relevance and reliability in measuring their respective constructs.

R<sup>2</sup> and adjusted R<sup>2</sup> values for endogenous constructs of the model are shown in Table III and Fig. 1, as recommended by Hair et al. (2024). The recent correlation of customer loyalty indicated that 55.5% (R<sup>2</sup> = 0.555) of the variance for customer loyalty is explained by the predictors in the model and adjusted in the # of predictors of the model is accounted by (adjusted R<sup>2</sup> = 0.552). Customer perceived value has an R<sup>2</sup> of 0.272, indicating that 27.2% of the variance in customer perceived value is explained, with an adjusted R<sup>2</sup> just slightly lower in value at 0.270. According to Hair et al. (2024) an R<sup>2</sup> value of between 0.26 and 0.75 indicates moderate explanatory power, which is consistent with the results of this study. These overall values signify how well the model fits into explaining the variance of the dependent variables and illustrates a significance of robustness for subsequent analysis.

Table III illustrates the R<sup>2</sup> value below.

*C. Assessment of the Structural Model*

Table IV and Fig. 2 show the mean, standard deviations, t-statistics, and P-values that describe the relationships between constructs. According to Hair et al. (2024), the t-statistic must exceed the critical threshold of 1.96 at 5% significant level for each of the path model, with a

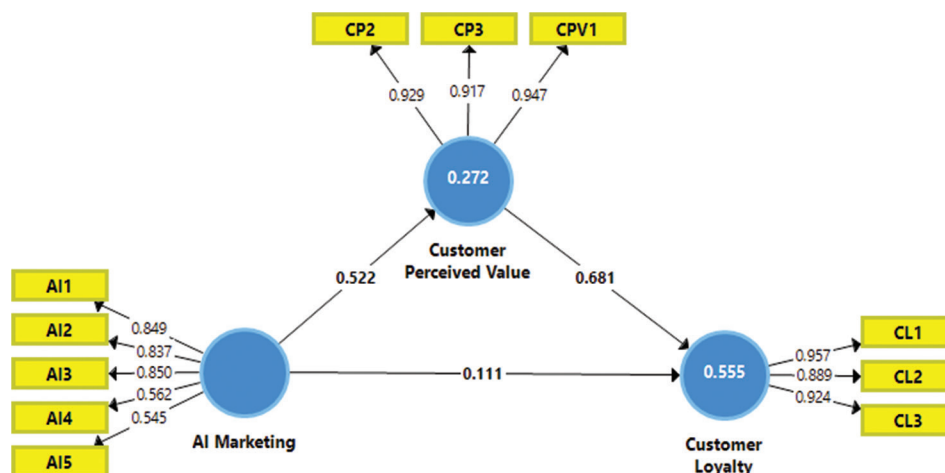


Fig. 1. Measurement model.

TABLE IV  
ESTIMATION RESULTS (SEM)

Path	Original sample (O)	Sample mean	Standard deviation	t-statistics	p-values	Status
AI marketing -> customer loyalty	0.111	0.113	0.054	2.053	0.041	Confirmed
AI marketing -> customer perceived value	0.522	0.526	0.045	11.515	0.000	Confirmed
Customer perceived value -> customer loyalty	0.681	0.676	0.045	15.038	0.000	Confirmed
AI marketing -> customer perceived value -> customer loyalty	0.355	0.356	0.037	9.620	0.000	Confirmed

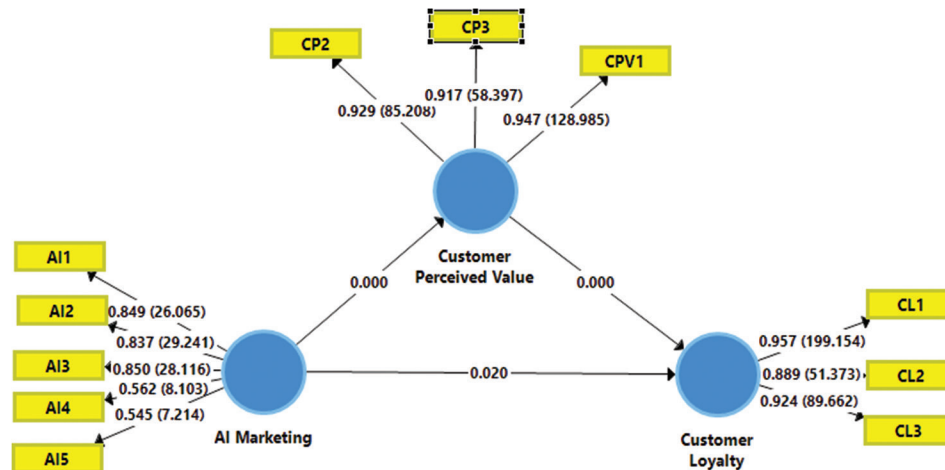


Fig. 2. Structural model.

$P < 0.05$ . In  $H_1$ , AI marketing -> customer loyalty, the results show a significance where ( $\beta = 0.111$ ,  $t = 2.053$ ,  $P = 0.041$ ) thus  $H_1$  is supported. In the second hypothesis, AI marketing -> customer perceived with path coefficient ( $\beta = 0.522$ ,  $t = 11.515$ ,  $P = 0.000$ ) thus,  $H_2$  is confirmed. In hypothesis 3, customer perceived value -> customer loyalty with path coefficient ( $\beta = 0.681$ ,  $t = 15.038$ ,  $P = 0.000$ ) is highly significant thus,  $H_3$  is supported. Finally, in hypothesis 4 AI marketing-> customer perceived value -> customer loyalty with ( $\beta = 0.355$ ,  $t = 9.620$ ,  $P = 0.000$ ) therefore,  $H_4$  is supported.

These observations are supported by several earlier studies, emphasizing the role of AI-based marketing tactics in increasing customer value and loyalty.

*D. Discussion and Implications*

AI marketing has been capturing more attention in the industry, so when the result of hypothesis 1 affirmed that AI marketing practices positively affect customer loyalty, it sounds reasonable with AI is on the integration process lately for businesses to re-consider how their relationship with consumers. This is consistent with Mgiba (2020) and Venkateswaran et al. (2024) found that AI contributes to strengthen brand loyalty. For example, practices such as personalized recommendations, dynamic pricing, chatbots, and predictive analytics all contribute to improving the customer experience as well as driving loyalty.

One of the most powerful benefits of AI in marketing is personalization. Whether it is customized content, product recommendations, or offers, businesses can provide such experiences based on customer data and preferences, which AI helps to analyze, giving each individual a special feeling.

Such personalization enhances customer-brand emotional engagement and subsequently enhances customer loyalty. Similarly, targeted suggestions for products on e-commerce websites not only facilitate convenience but also highlight a profound perception of what a customer wants greatly maximizing satisfaction and trust among them.

A primary reason is the ease and efficiency AI tools provide to customer interactions. Chatbots and virtual assistants provide real-time support, resolve issues promptly, and enable uninterrupted communication. Formulation of loyal customers: All this efficiency enhances the perception of the brand itself with customers leading to more loyalty. A business that knows the value of time and supports their customers would have a higher chance of ensuring return clients. In addition, predictive analytics allows businesses to predict what customers may need and provide appropriate solutions accordingly. AI can observe behavioral patterns and use them to determine when a customer might need specific products or services, improving the overall customer experience. This proactive mindset not only satisfies customer expectations but frequently surpasses them establishing a competitive advantage and fostering loyalty.

Along the same lines, the cultural preferences of Iraqi consumers also matter. For example, AI tools might be viewed differently in terms of whether they are intrusive or helpful, depending on cultural differences in approaches to technology and privacy. Consequently, companies have to need to tailor-make AI approaches to fit local preferences to ensure the highest positive impact on loyalty.

The result is in the second hypothesis, which states that AI marketing practices have a positive impact on perceived value, emphasizing how AI can boost the cognitive motivator

that arises when customers assess the value; they gain from engaging with businesses. This result is in line with (Kim, 2020) and Febriani et al. (2022). Perceived value includes both functional and emotional aspects and is a major driver of customer behavior and satisfaction. Technical and localized practices specifically in AI marketing are crucial factor in this misconception, as it provides you more personalized, effective, and hands-on experience with its customers.

The empirical support of the third hypothesis, that perceived value has a positive impact on customer loyalty, leverages the importance of how much value customers believe they obtain from the product they purchased. Perceived value including a mixture of functional benefits (e.g., convenience, quality) and emotional benefits (e.g., satisfaction, trust) sets the stage for a customer's general evaluation of a brand and their intentions to be loyal. Customers who feel high brand value, perceive emotional attachment, and trust which drives loyalty. Functional value (reliable service, competitive pricing) fulfills functional needs, and emotional value (personalized experiences, pleasant interactions) deepens the rapport between the customer and the brand. This finding is consistent with Llyas et al. (2021) showing an increase in perceived value translating to an increase in customer loyalty. Moreover, greater perceived value drives customers to repeat purchases and refer them to others, thus bringing behavioral and attitudinal loyalty. However, if they have low perceived value, the customer has a higher chance of switching to competitors. This means that organizations that continually provide high value will be best positioned to cultivate lifelong loyalty.

In the fourth hypothesis, the finding illustrates that the mediating role of perceived value between AI marketing practices and customer loyalty underlines the significance of perceived value as the intermediary between the resulting advantages of AI-powered marketing and customer loyalty. This result aligns with Menidjel and Bilgihan (2023). By employing AI marketing techniques, such as personalized recommendations, predictive analytics, and chatbots, businesses can create a superior customer experience through tailored, efficient, and engaging interactions. "Functional benefits" refer to things, such as time-saving, and accuracy, while emotional benefits might include personalization and satisfaction. Moreover, Perceived value, on the other hand, enhances customer loyalty as it helps build trust, satisfaction, and emotional attachment with the brand. For instance, the value of a brand in customers' eyes grows when they appreciate that AI-powered marketing makes their lives easier and understands them better. Their sense of the value in the brand adds to their commitment to the brand, repeat purchases, and whether or not they are advocates of the brand.

The perceived value mediating role indicates that AI marketing practices do not directly ensure loyalty. Their success depends on how well they increase the customer's sense of value instead. AI practices perceived as intrusive or impersonal might not create value, and that, in turn, dilutes their potential in relationship-building. Hence, companies will have to fine-tune their AI marketing strategies to create

higher value perception, which should ultimately lead to a more concrete experience and loyalty.

## V. CONCLUSION

This study confirms that AI marketing practices positively influence customer loyalty, both directly and indirectly through perceived value. AI-driven strategies enhance customer experiences by providing personalized interactions, convenience, and improved service quality, which, in turn, strengthen customer commitment. In addition, AI marketing significantly enhances perceived value, reinforcing its role as a key determinant of customer loyalty. The findings further highlight the mediating effect of perceived value, demonstrating that AI marketing's impact on loyalty is amplified when customers perceive high value in AI-driven services. These insights underscore the importance of leveraging AI marketing strategically to maximize customer satisfaction and long-term loyalty, particularly in emerging markets, such as Iraq.

### A. Limitations and Future Direction

Despite its contributions, this study has several limitations. First, the data comes from one country (Iraq), which means the findings cannot be extended to different cultural or economic environments. Second, in the study, perceived value is the only mediator that led into, so it does not check whether the other mediators, such as customer trust or customer satisfaction also impact the relationship between AI marketing practice and both loyalty behaviors. These limitations offer opportunities for future research by using longitudinal designs, broader geographic coverage, and consideration of other mediators and moderators. In light of the findings and limitations of this study, future research may pursue the following directions:

Examine the cultural and economic contexts in which AI marketing practices, perceived value, and customer loyalty relationship differ. This would help understand how attitudes toward culture, adaptation to technology, and data privacy issues affect such relationships. Furthermore, future studies could carry out longitudinal research to investigate the impact of emerging AI marketing practices on consumers' perceived values and customer loyalty. This approach can detect trends, changes in consumer behavior, and the long-term effects of AI-driven strategies. Finally, evaluate ethical AI practices such as data usage transparency and algorithmic fairness that influence perceived value and loyalty. That could help businesses reconcile their technological innovations with consumer trust.

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