

# Chapter 3

## Leveraging AI to Transform the Customer Journey

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### ABSTRACT

*Customer lifetime value is a trustworthy customer metric, more so than revenue, as it institutionalizes customer spending over time, aiding in customer retention. Artificial intelligence (AI) stands as the linchpin of every sector today, with its methods yielding exorbitant levels of impact within organizations, catalyzing a paradigm shift in its operations. Despite the concept of AI gaining traction in all other sectors, there still seems to be a gap in its usage in the identification of touchpoints in the customer journey. So, this research aims to address this existing gap and to benefit businesses across various sectors by shedding light on how AI can be effectively used to detect and forecast the key touchpoints that affect customer lifetime value. It will help organizations enrich customer experience, retention, and ultimately their bottom line.*

### 1. INTRODUCTION

The burgeoning organizational focus on customer experience is a concomitant factor of the current consumer empowerment ushered in by the ubiquity of social media, rapid digital advancements, and disruptive technologies. (Valentine, 2022). A recent study by Salesforce shows that if expectations are not met, 71% of customers have switched brands. Additionally, if customer concerns are resolved promptly, 75% of customers can be retained (Rawlings, 2023). Customer lifetime value is a trustworthy customer metric, more so than revenue, as it institutionalizes customer spending over time, aiding in customer retention.

Artificial Intelligence (AI) stands as the linchpin of every sector today, with its methods yielding exorbitant levels of impact within organizations, catalyzing a paradigm shift in its operations. (Barredo Arrieta et al., 2020). There is a seemingly endless supply of consumer-curated data, which grows in

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volume, velocity, variety, and veracity. Since AI is the next big productivity revolution, organizations must leverage it to glean crucial touchpoints in a customer journey to enhance customer experience and improve customer retention. The bedrock of their efficacy lies in the utilization of a few cornerstones of AI, such as Natural Language Processing (NLP), image and speech recognition, machine learning, predictive analytics, omnichannel communications, etc., that can be used to capture the vagaries of customers to enhance customer lifetime value (Kietzmann et al., 2018).

Media company Astro employs Microsoft's AI system Azure for consumer profiling. The system fleetingly crunches billions of data points to determine each consumer's needs. Even Pinterest implements image recognition to comprehend its users' peculiar style preferences. Such usage of AI can expedite the circuitous process and litany of customer journey mapping and retention. Therefore, the benefits of AI in the customer journey and its impact on customer lifetime value cannot be disparaged. (Kietzmann et al., 2018).

Despite the concept of AI gaining traction in all other sectors, there still seems to be a gap in its usage in the identification of touchpoints in the customer journey. So, this research aims to address this existing gap and to benefit businesses across various sectors by shedding light on how AI can be effectively used to detect and forecast the key touchpoints that affect customer lifetime value. It will help organizations enrich customer experience, retention, and ultimately their bottom line. The research will consider variables such as artificial intelligence and consumer behavior. Following Snyder's (2019) framework, this research will utilize a comprehensive synthesis of various methods of data collection, empirical and theoretical data (quantitative and qualitative analysis), to fully understand and comprehend the scope of the research. In particular, the research objectives are as follows:

1. Explore the multifaceted aspects of Customer Lifetime Value (CLV) to gain a comprehensive understanding.
2. Explain the various factors that influence Customer Lifetime Value (CLV) in the context of different industries.
3. Investigate how AI-driven customer segmentation and personalized marketing strategies impact CLV.

Through the examination of these objectives, the paper aims to answer the question: How can AI effectively detect and forecast critical touch points within the customer journey that exert a substantial influence on customer lifetime value?

## **2. LITERATURE REVIEW**

### **2.1 Customer Lifetime Value**

Customer lifetime value (CLV) denotes the total value produced by a customer during their lifetime with the organization, or it is the amount of potential profit generated by a customer (Ferrentino et al., 2016). It is an efficient and effective way to assess the nature of the relationship that the customer has

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