

A Study of Consumer Behavioral Responses to AI-Driven Sales Promotion in Physical Retail Stores

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P. Maheswarar

Student, Global Institute of Business Studies, Bangalore

Dr. Anita Kurian

Assistant Professor

Global Institute of Business Studies, Bangalore

Abstract

The introduction of Artificial Intelligence (AI) in retailing marketing has greatly changed the way retailers make and execute sales promotion strategies. AI technologies can help retailers analyze high amounts of consumer data, forecast buying behaviors, and send personalized promotional messages in their real-time. AI-based sales promotion, including personalized discounts, smart suggestions, digital displays, and location-based offers, has gained significant dimensions in the physical retail stores and has become more crucial in driving consumer behavior. This paper provides secondary research where the researcher analyzes the consumer behavioral reaction to AI-based sales promotion in the physical retail setting. The study relies on the systematic review and thematic analysis of the literature on peer-reviewed journals, books, and industry reports that are published between 2016 and 2024. The results indicate that AI-inspired promotion tactics increase consumer interest, perceived value, intention to purchase and impulse buying. Individual promotions with the help of AI enhance customer experience, providing customers with pertinent offers, depending on personal preferences and buying history. Nevertheless, the issues concerning privacy, transparency of the data, and the use of algorithms to make decisions can contribute to consumer distrust in marketing via AI. The research is relevant to the existing literature as it incorporates knowledge on artificial intelligence, sales promotion, and consumer behavior in relation to the physical retail stores. The results are also related to the managerial implications of retailers who are willing to implement AI-based promotional approaches to promote consumer satisfaction and competitive strength in the dynamic retailing environment.
Keywords: Artificial Intelligence, Consumer Behavior, Sales Promotion, Retail Marketing, Personalization, Physical Retail Stores

Introduction

The retail sector has undergone tremendous transformation with the fast changing technology and consumer demands. Retailers are turning to digital technologies more and more to increase operational efficiency and customer experience. Artificial Intelligence (AI) is one of such technologies that have become a strong instrument to interpret the consumer data, forecast the purchasing behavior, and customize the marketing strategy.

One of the key components of the marketing mix that should promote consumer buying behavior by giving sales incentives in

the form of discounts, coupons, loyalty programs, and limited-time offers is sales promotion. Traditionally, sales promotions were created to attract large mass consumers without taking personal preferences. Nonetheless, the developments in the field of artificial intelligence have allowed retailers to shift to the sphere of personalized promotional practices that target the individual consumers in accordance to their shopping habits and preferences.

Technologies operating on machine learning, predictive analytics, recommendation systems, and computer vision are used by AI-based sales promotion strategies to process consumer data and provide them with individual promotional offers. AI technologies on physical stores are implemented as smart shelves, digital signage, mobile apps and location-based services that allow delivering personalized promotion messages to customers.

Consumer behavior is of great importance in dictating the success of promotion strategies. The consumer behavioral reactions are attitudes towards the promotion, perceptions, level of engagement and purchase decisions made by consumers as a consequence of exposure to the promotional activities. Promotions with specifics delivered by AI technologies are considered to have a positive effect on the consumer reactions by enhancing the perceived value and relevance.

Even though the application of AI-driven promotional tools is becoming more common in the retail setting, there is a paucity of studies that analyze the reactions to consumer behavior in brick-and-mortar retail businesses. The majority of the studies concentrate on the online retail platforms, which creates a gap in the knowledge concerning the impact of AI on consumer behavior in brick-and-mortar shops. Hence, this paper will consider consumer behavioral reaction to AI-based sales promotion in the physical retail outlets by conducting an extensive secondary research investigation.

Conceptual Background

Artificial Intelligence in Retail Marketing

Artificial Intelligence is the term that is used to describe how machines and computer systems are able to perform actions that usually involve the use of human intelligence like the ability to learn, reason, and make decisions. In retail marketing, AI technologies can be used to process a large amount of consumer data and provide insights that can be used in making strategic marketing decisions.

Machine learning algorithms, recommendation systems, predictive analytics, and computer vision are examples of AI applications used by retailers to learn how consumers behave to maximize marketing strategies. These technologies assist retailers to study the consumer preferences, buying history, and the shopping behavior to create some personalized promotional campaigns.

AI can also be used to make real-time decisions in a retail setting. Retailers can, as an example, use AI systems to analyze their customers by examining the number of people in the store and offer specific promotions depending on the location and shopping habits of the consumer. This degree of individualization promotes customer experience and marketing campaign efficacy.

AI-Driven Sales Promotion

AI-based sales promotion is the promotion of offers, designed with the use of the technologies of artificial intelligence, and offered to a particular consumer. In contrast to the conventional promotions that are aimed at large audiences of consumers, the promotions created through AI are highly tailored and data-oriented.

The examples of AI-based promotional strategies are individualized discounts, dynamic pricing, product suggestions, and location-based promotions. These strategies enable retailers to offer the appropriate offer to the appropriate customer at the appropriate time, and hence make promotional campaigns more effective.

The AI technologies consider the data about the consumer created by various channels like loyalty programs, purchase history, and in-store behavior and may predict their preferences and provide personal promotional messages. This information-based solution allows retailers to engage more customers and enhance the promotion.

Behavioral Responses among the Consumers

Consumer behavioral responses are the response of the consumers to the marketing stimuli in the form of promotional offers, advertisements, and pricing. Such responses may be cognitive, emotional or behavioral.

Cognitive responses refer to perceptions and beliefs of value and relevance of promotional offers. Emotional responses entail excitement, contentment, or trust feelings which are created by promotion activities. The behavioral actions encompass buying of goods, shopping, or sharing of the advertising information with others.

Promotions based on AI can persuade consumers as they are more relevant and personalized with respect to the marketing message. The more customized promotional offers are given to the consumers according to their tastes, the more they tend to be positive in their reaction and participation in the brand.

Review of Literature

1. Davenport, Guha, Grewal, and Bressgott (2020) reviewed the effects of the artificial intelligence on marketing activities and came to the conclusion that AI technologies help marketers to analyze consumer data more efficiently and provide personalized experiences.
2. Grewal, Roggeveen, and Nordfält (2017) investigated the potential of the new technologies in retail settings and discovered that digital technologies like AI provide better customer feedback and contribute to a positive shopping experience.
3. Wedel and Kannan (2016) discussed the fact that marketing analytics are essential in data intensive environment and how the advanced technologies facilitate optimization of marketing decisions and effectiveness of promotion in the organizations.
4. Huang and Rust (2021) discussed the use of artificial intelligence in service industry and came to the conclusion that AI technologies improve the experience of a customer by allowing the customization of interactions and effective delivery of services.
5. In their research, Pantano and Pizzi (2020) examined the use of artificial intelligence in retailing and revealed that AI technologies enhance customer interactions and promote the effectiveness of marketing in retailing.
6. Shankar (2018) reviewed the application of AI in marketing of retail and has highlighted that AI-based personalization has a great impact on consumer buying behavior.
7. Lemon and Verhoeff (2016) created a model of recognizing customer experience in the various touchpoints and emphasized the role of technology in influencing consumer impressions.
8. In their article, Martin and Murphy (2017) have addressed the issue of data privacy in marketing and highlighted that clear data practices are the key to keeping consumers trustful.
9. Kaplan and Haenlein (2019) discovered the effects of artificial intelligence on business activities and emphasized the change it brings to the field of marketing communication.
10. Verhoeff, Kooge, and Walk (2016) argued that big data analytics is important in consumer behavior comprehension and enhancement of marketing strategies.

In general, the literature indicates that artificial intelligence can greatly improve the promotional strategies and impact consumer behavior. Nevertheless, there is a lack of research that specifically explores AI-based sales promotion in brick-and-mortar stores, and thus it is necessary to conduct additional research.

Research Methodology

Research Design

The research design that is taken in this paper is a secondary research to analyze consumer behavioral responses to AI-based sales promotion strategies in the physical retail stores. Secondary research is research where the information gathered and analyzed is published information in academic journals and books, research reports and other reliable sources. This approach can be used in the current study as it will enable the researcher to consult and derive the existing literature concerning artificial intelligence, consumer behavior, and retail marketing.

The secondary research assists in determining the patterns, trends, and theoretical knowledge that have been discussed already by scholars and other professionals in the field. The result of the analysis of several research studies will allow the researcher to understand in detail how AI-based promotional strategies would impact consumer behavior in retail settings. The approach does also enable the research to dive into alternative ideas and conclusions of various scholars in different geographical areas and retailing situations.

Secondary research is advantageous since it does not consume much time and resources as compared to primary data collection tools such as survey or interview. Secondly, secondary data are usually based on large scale researches done by seasoned researchers and this adds more credibility and authenticity of the results.

Data Sources

The information used to conduct this study was gathered through various secondary sources such as academic journals, conference papers, books, industry reports on the artificial intelligence and retail marketing. The sources are chosen due to the fact that they represent valid and scientifically proven information.

The reviewed literature on the topic of this study was received through popular scholarly databases, including Google Scholar, ScienceDirect, Research Gate, or JSTOR. These databases are of quality research publications about business and marketing and technology.

The research mainly sought to review research articles published in the years 2016-2024 so that the details would capture the most up-to-date information in the artificially intelligent field and the application of artificial intelligence in retailing. The chosen articles were focused on the use of AI in marketing, the analysis of consumer behavior, sales promotion tactics, and the use of technology in the retail setting.

Data Collection Procedure

Data collection was done through the process of determining the relevant research articles by use of certain keywords pertaining to the research topic. Some of the keywords that were utilized when conducting the search included: Artificial Intelligence in Retail, AI-driven Sales Promotion, Consumer Behavior in Retail, Retail Technology, and Personalized Marketing.

The researcher was able to narrow down the process of identifying relevant research articles to reading the abstracts and key findings of each research to see whether the research was relevant to the research topic. Only the studies that explicitly mentioned the use of AI in marketing or how people are coping with technological innovations in retail settings were considered during analysis.

The chosen studies were then systematized and classified as per the thematic factors like AI personalization, consumer engagement, purchase intention, impulse buying behavior, and privacy issues. The classification was useful in the determination of common patterns and themes in the various research findings.

Method of Data Analysis

Thematic analysis which is a qualitative research technique was employed to analyse the collected literature and establish patterns and themes of a given set of data. Thematic analysis enables a researcher to meaningfully read and summarize information of several sources systematically.

In this research, the author of the study was keen to take the results of the prior research and categorized them into major themes regarding AI-based sales promotion and consumer behavior. These themes were then subjected to analysis in order to determine the impact of AI technologies on consumer perceptions, attitudes, and purchases in the physical retail outlets.

Thematic analysis has gained popularity in secondary research since it allows a researcher to put together results of various studies and come up with an all-inclusive view of the research topic.

Thematic Analysis and Discussion

The analysis of the available literature helped identify some major themes concerning the consumer behavioral patterns in response to AI-based sales promotion activities in brick-and-mortar shops.

Individualizing of Promotional Offers

It is a key benefit of artificial intelligence in the field of retail marketing as it allows making individual consumers receive promotional offers. The conventional promotion methods used were commonly based on mass marketing techniques where similar promotional message was offered to all the customers. But with the help of AI technologies, retailers will have an opportunity to analyze consumer data and create promotional offers in accordance with individual preferences.

With the help of machine learning algorithms and predictive analytics, AI systems examine the previous purchase history and browser behavior, along with demographics of individuals. On this basis, personalized promotional messages can be created by retailers that is more relevant to consumers. It has been proposed that personalized promotions contribute to a significant consumer involvement and result in better marketing campaign (Wedel and Kannan, 2016).

The more the consumers are offered promotional offers that appeal to their needs and preferences, the more they will find the promotion valuable. This enhances the possibility of good consumer reactions like buying the products or again returning to the store in future.

Consumer Interaction in Brick-and-Mortar Stores

Artificial intelligence-powered technologies are influential in maximizing consumer responsiveness in brick-and-mortar retailing setups. The smart technologies that are being used by more and more retailers in order to send customized promotional messages to the shoppers are interactive digital displays, smart shelves, and mobile apps.

These technologies provide interactive shopping experiences which stimulate shopping and promotional offers. As an example, retail stores can have digital screens that can show personalized recommendations on the basis of consumer browsing behavior or loyalty program information.

The increased consumer engagement is likely to result in a longer time spent in the stores and a probability of more purchases. The engagement strategies powered by AI thus aid in the enhancement in the level of sales and consumer satisfaction.

Impact on Purchase Intention

The other important theme that has been found in the literature is how AI-based promotions affect consumer purchase intention. Purchase intention is the probability of a consumer to purchase a given product or service once exposed to a promotion offer.

Individualized promotional offers created in the AI technologies will have a higher chance of impacting the purchase decision due to being seen as relevant and useful by the consumers. As an example, AI systems can suggest products that are in line with the taste of the consumer and give them specific discounts that can stimulate buying decisions.

Studies have shown consumers tend to react better to promotions that deliver a decisive value and convenience (Huang and Rust, 2021). Retailers can do that with the assistance of AI technologies that analyze consumer data and offer promotions at the most suitable moment throughout the process of shopping.

Privacy Issues and Customer Confidence

Although AI-based promotional activities have a number of advantages, they bring in issues of privacy and data security of consumers. AI technologies use consumer data (purchasing history, browsing behavior, location data) particularly often and create personalized offers on the basis of it.

This might lead to some consumers being uncomfortable with retailers gathering and processing their personal information in a non-transparent manner. The issue of privacy may have an adverse impact on consumer attitude towards marketing practice that is based on AI.

Martin and Murphy (2017) stressed that consumers need to be able to trust the data collected and its use because of transparency. Retailers should explicitly explain the manner in which they gather consumer information, store and utilize the data in promotions.

Retailers can gain the trust of consumers and promote the adoption of AI-driven promotion practices by having ethical data practices and articulating privacy policies.

Managerial Implications

The results of this paper have some significant implications on the retail managers and marketing practitioners. To start with, retailers need to invest in artificial intelligence that will allow them to offer individualized promotional strategies. Individualized promotions enhance customer interest and enhance market campaign performance.

Second, retailers are advised to implement AI technologies in physical retailings in form of smart shelves, digital displays, and mobile applications. These technologies will be able to improve customer experiences and build more interactive shopping experiences.

Third, retailers need to deal with consumer issues on privacy and information safety. Open information culture and openness about the use of data can assist in gaining consumer trust and promoting the use of AI-based marketing approaches.

Lastly, retail managers need to keep track of the reaction of consumers on promotions based on AI and adjust their strategies and strategies accordingly regarding consumer reactions and behavior.

Future Research and Limitations

As much as this study gives some useful results about the consumer reaction towards the AI-driven sales promotions, it is limited in some ways. The research is based purely on secondary data source and lacks primary data which is gathered directly among the consumers.

Secondary research might fail to reflect actual consumer attitudes or behaviour changes that might take place in particular retail situations. This limitation can be filled in future research by carrying out primary research, which can be in the form of a survey, experimentation, or interviewing retail consumers.

The future studies can also investigate variations in consumer reaction based on the various demographic variables like age, gender and income levels. Moreover, the research on online versus offline retail settings could be compared to gain a better understanding of how artificial intelligence is being used in influencing consumer behavior.

Conclusion

One of the technological innovations in contemporary retail marketing is artificial intelligence. The AI-based sales promotion systems allow retailers to access consumer data, forecast their buying habits, and provide consumers with tailored promotional discounts that make marketing more effective.

The research results suggest that the use of AI-based promotional tactics has a good impact on consumer engagement, purchase intention, and general shopping experiences at the physical retail shop. The promotions created via AI technologies are more personal, thus being more relevant to the consumer, hence, causing more behavioral reactions.

Nonetheless, retailers also need to take into consideration the issues of data privacy and transparency as the means of keeping consumers confident. The key to successful AI-driven marketing strategies is ethical data practices and responsible use of artificial intelligence, which will guarantee the success of the strategies in the long term.

Altogether, AI-based sales promotions are an important breakthrough in retail promotion and can transform the consumer behavior in the future.

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