Optimizing Corporate Branding: The Role of Artificial Intelligence in Business Transformation of IQOS

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Abstract

Corporate branding stands as a pivotal facet of a company's identity, wielding substantial influence over consumer perceptions and confidence. In the contemporary digital landscape, the optimization of corporate branding demands innovative methodologies. Artificial intelligence (AI) assumes a pivotal role in revolutionizing how companies conceptualize and manage their brand image. Leveraging AI-powered tools and algorithms furnishes invaluable insights into consumer behaviors, preferences, and prevailing market trends, empowering companies to make data-informed decisions, tailor branding strategies, and elevate overall customer experiences. Furthermore, AI's integration augments brand management endeavors by expediting the analysis of feedback, enabling swift adaptation to dynamic market shifts and evolving consumer sentiments. This research significantly contributes to both academic discourse and industry practices by elucidating AI's transformative prowess and furnishing guidance on embedding strategic branding approaches aligned with the exigencies of the digital era. Through an amalgamation of case studies and theoretical frameworks, this article illuminates the symbiotic relationship between AI and corporate branding, underscoring their mutually advantageous alliance within the sphere of business transformation.

Keywords: artificial intelligence, business transformation, consumer behaviour, corporate branding, data-informed decisions

Abstrak

Identitas perusahaan merupakan salah satu aspek penting yang memiliki dampak besar pada persepsi dan kepercayaan konsumen. Di era digital, mengoptimalkan identitas perusahaan membutuhkan strategi baru. Kecerdasan buatan (AI) memainkan peran kunci dalam merevolusi cara perusahaan memahami dan mengelola citra merek mereka. Alat dan algoritma AI menyediakan wawasan berharga tentang perilaku konsumen, preferensi, dan tren pasar, memungkinkan perusahaan untuk membuat keputusan yang terinformasi, menyesuaikan pendekatan branding, dan meningkatkan pengalaman pelanggan. AI juga meningkatkan manajemen merek dengan memfasilitasi analisis umpan balik secara instan, memungkinkan
perusahaan untuk cepat beradaptasi dengan perubahan pasar dan sentimen konsumen. Penelitian ini memberikan kontribusi signifikan bagi dunia akademis dan industri dengan menyoroti kemampuan transformatif AI dan memberikan panduan tentang penerapan praktik branding strategis sesuai dengan tuntutan era digital. Dengan menganalisis berbagai studi kasus dan kerangka teoritis, artikel ini memberikan pemahaman tentang hubungan saling menguntungkan antara AI dan identitas perusahaan dalam konteks transformasi bisnis.

Kata kunci: identitas perusahaan, kecerdasan buatan, keputusan berdasarkan data, perilaku konsumen, transformasi bisnis

Introduction

In recent years, artificial intelligence (AI) has emerged as a hot topic in management and marketing sciences, even though, somewhat paradoxically, research and development of AI in other scientific disciplines has been ongoing for over half a century. Over several decades, artificial intelligence has alternately been in the spotlight and out of it, with its visibility directly correlating to the degree to which its capabilities have progressed and the breadth of the range of applications to which they could be put. The first widespread commercial uses of AI have demonstrated the potential and capabilities of this technology, particularly in the marketing field, which has sparked a great deal of interest in and discussion about the technology. The rapid progress of AI in recent years has been facilitated by the improvement of AI's cognitive mechanisms and the ability of machines to learn from data (Lieto et al., 2017). Additionally, the ability to generate new information that did not previously exist has also contributed to this progress (Grawal, A., Gans, J. S., & Goldfarb, 2017). The capability of AI extends to the processing of diverse data formats, including numerical data as well as texts, images, and sounds. AI assigns meaning and relevance to these data formats, enabling further analysis (Dhar, 2016).

The term "artificial intelligence" encompasses a broad spectrum of advanced analytics, applications, and logic-based techniques that replicate human behavior, decision-making, and processes, including learning and problem-solving (Brynjolfsson & McAfee, 2017) (Trunk et al., 2020). As part of Digital Transformation, AI technologies offer businesses multiple opportunities to revolutionize their operations. Operations spanning multiple industries (Brock & von Wangenheim, 2019). Illustrative instances involve the utilization of AI-powered decision-making in the realms of loan, credit, or sales predictions (Al-Surmi et al., 2022), (Chowdhury et al., 2022). Moreover, AI can offer substantial advantages of automating previously manual procedures (Makowski & Kajikawa, 2021) including improved efficiency and implementation of enhanced processes, where humans and artificial intelligence cooperate constructively (Jarrahi, 2018).

Artificial Intelligence (AI) has garnered significant interest from engineers, IT experts, and analysts. However, it is now expanding beyond its conventional domains and making a more pronounced impact in the realms of management and marketing. The proliferation of consumer data accessible online, within big data systems, and on mobile devices has rendered AI a crucial asset in the field of marketing, as it relies extensively on data analysis across
various domains. Marketing extensively utilizes data, encompassing consumer needs research, market analyses, customer insights, and competition intelligence. It involves engaging in activities across different communication or distribution channels and evaluating the outcomes and impact of implemented strategies. Marketing benefits from the advancement of information technology (Jarek & Mazurek, 2019). The close proximity of both domains enables the attainment of a synergistic effect. Hence, it is crucial to highlight the capabilities of artificial intelligence and the existing AI-driven tools and to explore the business uses of AI in the marketing field.

Artificial Intelligence (AI) is increasingly influencing various aspects of society, such as marketing, healthcare, and human rights. Allowing the development of AI applications to advance without any supervision could have negative consequences (Chatterjee et al., 2020), (Mishra & Pani, 2021). Therefore, it is imperative to endorse a dependable AI system that adheres to legal obligations and maintains ethical principles from both a technical and social standpoint. Given that AI is considered a constantly evolving field of computation, it is imperative for the government to extend its focus beyond mere content and also include the analysis of AI. In order to resolve the problem of misalignment between business users and analytics practitioners, it is necessary to implement governance mechanisms specifically for analytics, in addition to IT and data governance (Fadler & Legner, 2021).

Wetering and Versendal (van de Wetering & Versendaal, 2021) define adaptive transformation capability as a company's capacity to identify and exploit emerging market and technological prospects while simultaneously developing organizational capabilities in line with new strategic directions (Kar et al., 2021;), (Yigit & Kanbach, 2021), (Yu & Moon, 2021). This acumen can be defined as the agile capacity to effectively utilize organizational resources and competencies to achieve the desired outcome (Teece et al., 1997) and propel the organization's future entrepreneurial endeavors and potential for generating business value (Eshima & Anderson, 2017). Currently, there is limited knowledge regarding the ambidextrous application of AI, the regular and innovative utilization of AI by enterprises, the way in which this enhances dynamic capabilities, and specifically, how these elements collaborate to generate value. Although an increasing number of companies are currently employing AI to enhance and adjust their organizational processes, there is a dearth of theoretically sound or empirically verified data to assist organisations in their strategic alignment (Yigit & Kanbach, 2021), (Collins et al., 2021).

The global tobacco business is experiencing significant business transformation with the introduction of electronic cigarettes and heated tobacco products (HTPs), two new nicotine delivery technologies. Electronic cigarettes vaporize nicotine-containing liquids, while heated tobacco products use chemically treated shredded tobacco heated to produce smoke. These developing categories are experiencing significant growth, while conventional cigarettes sales drop. Philip Morris International, Altria, and JUUL have established collaborative partnerships to achieve market dominance in both conventional and emerging tobacco product sectors. These entities dominate the leading brands in conventional cigarettes (Marlboro), electronic cigarettes (JUUL), and heated tobacco products (IQOS).
Philip Morris International's PT HM Sampoerna Tbk (Sampoerna) has introduced the IQOS ILUMA smoke-free tobacco product, exclusively used with TEREA SMARTCORE STICKS™ tobacco sticks. Indonesia is the first Southeast Asian country to introduce this innovative product, based on input from adult smokers (Anam, 2023). The IQOS ILUMA device employs the Smartcore Induction System technology, which enables the heating of tobacco without the use of a heating blade. This innovative approach ensures a more uniform and reliable heating process, while also minimising the presence of tobacco residues. Hence, it is unnecessary to clean the equipment (Anam, 2023). The name IQOS, which stands for "I Quit Ordinary Smoking," serves as a monument to the evolutionary progress within the sector. IQOS provides smokers with an alternative that mitigates the detrimental consequences typically associated with conventional smoking, thanks to its innovative heat-not-burn technology. Nevertheless, the brand encounters a complex obstacle when it comes to promoting these innovative items. One aspect involves the necessity of effectively conveying the advantages of harm reduction while adeptly negotiating the complexities of discourse pertaining to health and regulatory frameworks.

IQOS, a prominent player in the tobacco industry, is a prime example of how modern marketing strategies can be used to enhance its brand reputation. The study delves into the intricate relationship between promotional tactics and brand reputation, highlighting the importance of effective brand management in today's competitive market. IQOS, which is also a pioneering cigarette brand, utilizes advanced technology for promotional efforts. The company's promotional strategies, both traditional and digital, aim to shape the brand's image and perception among customers. The study aims to analyze the factors that shape the brand's image and perception among customers, highlighting the importance of brand identification and reputation in today's competitive advertising landscape.

The main objective of this paper is to highlight the ways in which artificial intelligence capabilities contribute to various perspectives on the business value achieved through the alignment of business and IT strategies during digital transformation. This research aims to address the mentioned problem in this context. A total of 139 sources were analyzed using the Webster and Watson methodology (Watson & Webster, 2020). Companies worldwide are facing challenges in integrating AI due to its dynamic nature and the need for a comprehensive assessment of its various value dimensions. Staying updated on the latest research regarding the enhanced business value results achieved through the implementation of AI in different forms of digital transformation is of utmost importance. This is particularly relevant as AI advances from conventional algorithms to groundbreaking super intelligence and beyond.

This study focuses on incorporating artificial intelligence (AI) into business and IT strategies within the digital transformation framework. The study discovered that organizations frequently experience a digital transformation prompted by technological advancements and regulation changes. It emphasized integrating AI capabilities with business and IT strategies to achieve enhanced business value outcomes and facilitate alignment with digital transformation. The study stresses the significance of simultaneously prioritizing both innovative and routine AI implementation, the requirement for responsible AI governance, and
utilizing AI to facilitate adaptable transformation. The research outcomes further enhance our comprehension of how businesses can leverage AI to foster adaptability and reap advantages.

**Literature review**

**Artificial Intelligence**

Information technology is the foundation of artificial intelligence. It is frequently employed synonymously with concepts such as automation or robotization. It is commonly misconstrued as machine learning or algorithm implementation. As per the definition provided by the Oxford Dictionary in English (2019), artificial intelligence (AI) pertains to "the theory and advancement of computer systems capable of carrying out duties that customarily demand human intelligence." These duties may include speech recognition, translation between languages, visual perception, and decision-making. The cognitive abilities ascribed to the human mind, such as problem-solving and learning, can be replicated by artificial intelligence-based technology (Syam & Sharma, 2018). AI is tasked with carrying out specific operations following data identification and processing. The definition is Artificial Narrow Intelligence, which operates and executes tasks within a specified domain (Shanahan, 2015). Synthesized to the human brain in terms of intellectual capacity, Artificial General Intelligence constitutes the second category of AI (Sterne, 2017). Tasks are executed due to the development of three technologies—machine learning, deep learning, and natural language processing—constituting the current scope of AI's capabilities.

Machine learning (ML) has advanced artificial intelligence beyond merely obeying rules. As a result, ML has altered the function of previously employed AI algorithms. Machine learning (ML) has enabled computers to learn without human input by creating connections between data points. These features will allow the system to extrapolate findings from specific analyses to broader phenomena (McIlwraith, et. al, 2017). Pattern recognition, statistical modeling, data exploration, knowledge discovery, predictive analytics, data analytics, adaptive systems, self-organizing systems, and many more are all examples of ML's many guises (Domingos, 2016). Due to its use of self-managing learning algorithms, deep learning (DL) is a more advanced form of machine learning. Utilizing massive amounts of data and computing resources (such as server farms, CPU power, and the cloud), DL can instantly decode and return the result for a brand new piece of data (Alpaydin, 2016). One area where ML and DL have been put to use is in natural language processing (NLP), specifically for speech recognition. Since this field has been studied for so long, we can now work with massive amounts of data (text samples) that can be mined for information on things like the original context, vocabulary, syntax, and semantic meaning (Alpaydin, 2016).

Improvements in those areas have paved the way for the creation of artificial intelligence in areas like speech recognition, text analysis, image analysis, decision-making, and self-driving cars. Each of these domains is amenable to practical implementations. Smartphones have voice recognition software like Siri and Google Now. Virtual assistants that use text recognition (like those offered by Deakin University and IBM Watson) provide instant responses. When making a purchase (at the fast food chain KFC, for example), the system uses
image recognition to verify the customer's identity before authorizing the transaction. A decision-making system is available for educational purposes - IBM Elements is dedicated to teachers to support them in student assessment and to deliver recommended individual development paths for each student. Finally, warehouses use autonomous robots and vehicles (like the ones found in the Amazon Kiva system) to help with stock management.

**Business Transformation**

Business transformation encompasses the deliberate and significant overhaul of an organization's operational protocols aimed at enhancing both financial outcomes and operational efficiencies. Such initiatives can be deployed across the organizational spectrum or concentrated within specific units like departments or product lines (Lawton, G., & Pratt, 2022). The principal divergence between business transformation endeavors and other enhancement strategies resides in the resolute commitment of company leadership to effectuate a holistic shift in how tasks are executed, as opposed to incremental modifications in business processes or products (Lawton, G., & Pratt, 2022).

In essence, business transformation epitomizes a profound reconfiguration of operational paradigms within an organization, signifying a departure from conventional modes of operation towards an innovative and holistic approach (Rhamadona et al., 2023). This strategic shift, often spearheaded by organizational leaders, extends beyond mere incremental changes, seeking instead a comprehensive redefinition of how tasks are conducted, embracing innovation, agility, and adaptability as core tenets. Unlike conventional enhancements, these transformational initiatives necessitate a fundamental rethinking of workflows, structures, and strategies, aiming to revitalize organizational performance and resilience in an ever-evolving business landscape (Lawton, G., & Pratt, 2022).

**Business Processes**

Enhancing business indicators' performance and managing them effectively are crucial aspects of business process management, pivotal in tackling both internal and external influences. These encompass the need for skilled personnel, fostering innovation, and adapting to shifts in market demands, thereby instigating organizational transformations (Buhmann & Fieseler, 2021). Efficient management of business indicators is foundational to elevating organizational performance, requiring a nuanced approach that responds adeptly to both internal and external dynamics. These encompass the imperative for skilled workforce acquisition, fostering a culture of innovation, and swift adaptations to fluctuations in consumer demands. Such strategic considerations play a pivotal role in facilitating organizational evolution and resilience in a dynamic business landscape (Buhmann & Fieseler, 2021).

Business process modeling is crucial for improving the performance of business processes. (Mendling et al., 2010) studied errors in modeling business processes and the relationship between simulated processes' complexity and success likelihood. However, there is uncertainty regarding theoretical foundations. (Mendling et al., 2010) proposed a sequence of steps for implementing business process modeling, providing guidance to managers for implementing transformation projects. This approach brings theoretical research into practice.
and enhances the effectiveness of business processes. The business processes in the industry are being significantly reengineered due to the increasing influence of IT capabilities and AI.

**Role of Artificial Intelligence in Business**

Artificial intelligence (AI) is rapidly transforming the marketing and advertising world, with applications ranging from data detection to virtual personal assistants. Its key business advantages over human intelligence include its scalability, cost savings, consistency, rule-based programs, and ability to document processes (Wierenga, 2010). AI applications use technologies such as natural language processing, speech recognition, machine learning, robotics, and computer vision, providing numerous business opportunities. Machine learning, particularly deep learning, is a branch of AI that emphasizes algorithms driven by the configuration and function of the human brain. As AI continues to evolve, marketing will become more significant in the future, with robots replacing salespeople and websites being updated automatically through eye-tracking data. Research on marketing will shift as new trends emerge due to AI, and the landscape of marketing will transform in academics, research, and business contexts (Sterne, 2017).

Organizations are compelled to continually educate their workforce to acclimate to the evolving contours of the marketing realm. Engaging with AI is no longer a futuristic concept but an impending necessity for survival. It is imperative for marketing personnel to grasp, augment, and align their skill sets with the advent of AI and robotics, thereby priming themselves for the imminent future (Wierenga, 2010). The contemporary landscape presents a landscape that is both exhilarating and demanding, given the relentless transformative impact of AI and robotics within the spheres of marketing and advertising. This evolving scenario necessitates a proactive approach from marketing professionals to assimilate technological advancements into their skill repertoire, recognizing the pivotal role these innovations play in shaping the future of marketing strategies.

**Research Method**

The study adopts a qualitative approach to investigate the research quandary, focusing on elucidating marketing professionals' viewpoints concerning the influence of AI in marketing. This exploratory research methodology, integrating both primary and secondary sources, was selected to delve into the underlying rationales, viewpoints, and insights pivotal to this inquiry. The primary data was acquired through interviews conducted with AI experts, marking the inaugural instance where the researcher gathered primary data for this study. The findings derived from this detailed descriptive analysis have significantly enriched our understanding of emerging technologies, their degree of integration and implementation, and the consequential influence of artificial intelligence on contemporary business landscapes. This comprehensive exploration has offered profound insights into the multifaceted dynamics defining AI's role within marketing domains.
Qualitative Research

Qualitative methodologies, including exhaustive interviews and focused group dialogues, present significant avenues for comprehending stakeholders' viewpoints, attitudes, and sentiments regarding IQOS's promotional endeavors (Rubin & Rubin, 2011). This form of research facilitates an intricate exploration, enabling a comprehensive grasp of experiences and viewpoints within distinct contexts. Engaging in interviews spanning marketing experts, consumers, and regulatory authorities could unravel a diverse spectrum of perspectives, thereby enriching our comprehension of the intricacies surrounding reputation management and risk mitigation strategies in IQOS's promotional initiatives. These qualitative investigations promise a deeper understanding of the multifaceted dimensions shaping perceptions and responses to IQOS's promotional approaches.

Case Study Analysis

A comprehensive analysis of IQOS's promotional tactics, substantiated through the scrutiny of case studies, offers a profound comprehension of practical situations (Yin, 2018). By immersing into distinct marketing initiatives, navigating through regulatory hurdles encountered, and deciphering consumer reactions, an intricate storyline emerges. This methodology not only allows for an exploration of triumphs and setbacks but also serves as a reservoir of invaluable lessons and discernments. The nuanced examination of IQOS's promotional endeavors illuminates the complex interplay between strategies, challenges, and consumer perceptions, offering substantial insights for academia and industry practitioners alike.

Result and Discussion

The scrutiny conducted into IQOS's business transformation has unveiled detailed insights into the brand's standing and corporate branding strategies. This investigation adopts a thorough methodology encompassing qualitative methods, comparative analysis, case study examinations, and content analysis. By employing this multifaceted approach, the study uncovers numerous noteworthy findings, notably centered around product recommendation, seller retargeting, chatbot integration, and the pivotal aspect of customer personalization and experience. These revelations offer a nuanced understanding of IQOS's strategic shifts and their impact on brand perception and customer engagement within the realm of business transformation.

Product Recommendation and Retargetting Seller

In the realm of business evolution, product recommendations stand as a strategic cornerstone, pivotal in elevating corporate branding efforts. Artificial intelligence (AI) assumes a pivotal role in this realm, reshaping how brands engage with their clientele, subsequently enhancing customer experiences and amplifying brand equity. One such brand, IQOS, recognized for its line of heated tobacco products, has integrated sophisticated recommendation algorithms empowered by AI. These algorithms meticulously analyze user data and behavioral patterns to tailor personalized product suggestions, marking a significant shift toward user-
centric offerings. AI within IQOS scrutinizes diverse datasets to derive meaningful insights driving product recommendations, aligning them with individual user preferences and usage patterns. This integration underscores the brand's commitment to refining user experiences through data-driven personalization. Recommendation systems are productive customization mechanisms, often up-to-date and recommendations based on current consumer preferences (Kinkar, 2021).

The illustration presented below captures the essence of IQOS's utilization of Artificial Intelligence within its website to offer personalized product recommendations. Accessible to registered email users and IQOS account holders, the "Find the TERE A Variant That Suits you" feature is more than a mere recommendation tool for existing customers. It extends its utility as an instrumental guide for potential customers, assisting them in navigating and selecting the most fitting IQOS variants aligned with their preferences and requirements.

Figure 1: Choosing the current cigarette brand or product

The visual presentation portrayed above encapsulates a depiction wherein a sample of Sampoerna Mild (A Mild) serves as a representation of the customer's prior cigarette brand before engaging with IQOS. This depiction necessitates the inclusion of the customer's email address, accompanied by an essential requirement confirming the customer's attainment of legal age (18 years or older). Upon furnishing information regarding the previous cigarette brand, the system proceeds to generate bespoke product recommendations meticulously curated to align with the customer's preferences and needs.

Drawing insights from the data derived through artificial intelligence in the context of product recommendations, it becomes evident that customers with prior affinity towards Sampoerna Mild products receive AI-generated suggestions across three distinct categories: optimal matches, novel variants, and recommendations stemming from other IQOS users. The algorithm employed by IQOS's AI revolves around identifying flavor variants that exhibit striking resemblance and similarity traits between conventional cigarettes and TEREA sticks. A detailed examination of the flavor variant specifics elucidates the nuances of this algorithmic process.

Figure 3: the detail characteristics of TEREA Apricity as Best Fit Recommendation
Figures 3 and 4 present concise descriptions of the most suitable variants recommended by AI, specifically Apricity and Green. Upon closer examination, the products suggested by AI exhibit resemblances in characteristics akin to those found in Sampoerna Mild – both in its Original and Menthol Burst iterations, as illustrated below. This analysis underscores the correlation between the recommended products generated by AI and the attributes inherent in the conventional variants of Sampoerna Mild – encompassing both its Original and Menthol Burst renditions – as visually depicted.

The CiggiesWorld website (2023) provides information on two variants of Sampoerna cigarettes: Sampoerna A Mild and Sampoerna A Mild Menthol Burst. Sampoerna A Mild is a high-quality cigarette that combines premium Java aromatic, American, and other superior-grade tobaccos with fine, natural cloves. The resulting flavor profile, taste, and aroma are distinctive and reflect the meticulous attention to detail that the House of Sampoerna puts into crafting this esteemed product. Similarly, Sampoerna A Mild Menthol Burst is a balanced blend of high-grade Java aromatic, American, and other high-quality tobaccos, infused with finely selected natural cloves. This variant leverages state-of-the-art technology to achieve an optimal fusion of tobaccos and cloves, delivering a distinctive taste and aroma. What sets Sampoerna A Mild Menthol Burst apart is the exhilarating experience it provides, with a profound, chilling sensation initiated by a burst of menthol capsule. This sensation complements the exceptional
blend of Sampoerna ‘A’ Mild’s superior tobacco and the nuanced essence of fine natural cloves, promising a pinnacle experience characterized by satisfaction and the velvety texture of mild cigarettes. Both Sampoerna A Mild and Sampoerna A Mild Menthol Burst are presented to consumers with an unwavering commitment and pride from the House of Sampoerna. Although these cigarettes cannot be sold in Canada due to tobacco laws, they are popular in Indonesia, particularly among upper-middle-class high schoolers, young executives, and women smokers.

CiggsWorld.com was an e-commerce platform that specialized in offering a wide range of global cigarette brands, with a primary focus on providing customers access to cigarettes from various countries that were not readily available in local markets. The website carefully curated a selection of cigarettes sourced from different regions around the world, allowing consumers to obtain specific brands that were typically hard to find in their geographical area. This platform catered to a niche market segment that sought international cigarette varieties not commonly found in their respective countries.

Integrating artificial intelligence (AI) in e-commerce platforms like IQOS has become increasingly common. AI algorithms analyze customer data and behavior to deliver personalized recommendations, enhancing customer satisfaction and providing a more individualized experience. This approach allows companies to understand their customers better and adapt their product offerings to meet specific needs and preferences. As a result, the future of e-commerce is expected to rely more on AI and machine learning to provide better customer experiences and more personalized product recommendations. The AI-powered product recommendations on IQOS can be found through the link https://bit.ly/iqosproductrecommendation.

Retargeting Customer

Using artificial intelligence (AI) in retargeting IQOS customers represents a strategic approach to optimizing corporate branding. By leveraging AI algorithms, IQOS can analyze customer data and behavior to deliver personalized product recommendations, enhancing customer satisfaction and providing a more individualized experience as it seen through https://bit.ly/iqosproductrecommendation. This customized approach to retargeting improves the effectiveness of marketing strategies and contributes to optimizing corporate branding by aligning product offerings with specific customer needs and preferences.

Furthermore, the integration of AI in IQOS's retargeting strategies aligns with the broader trend of AI integration in marketing and advertising. For instance, a recent study found that paid advertising in the US during IQOS’ first two years totaled $4.9 million, with the unique PM promotional strategies used at points of sale (POS) and other marketing distribution channels warranting further research (Berg et al., 2021). This demonstrates the growing importance of AI in modern business strategies, as companies increasingly rely on AI tools to improve customer experiences, drive innovation, and enhance corporate branding. In conclusion, adopting AI in IQOS's retargeting efforts is a strategic move that aligns with the broader trend of AI integration in marketing, aiming to provide personalized customer experiences and optimize corporate branding.

Another example is the integration of AI in the marketing strategies of Philip Morris International (PMI), the company behind IQOS. PMI has used AI to analyze customer data and
behavior to develop targeted marketing campaigns and promotional strategies (Berg et al., 2021). The company has employed various marketing communication channels, including paid advertising, social media, special sponsored events, and direct-to-consumer communications, to promote IQOS products (Berg et al., 2021). By leveraging AI algorithms, PMI can better understand its customers and adapt its marketing strategies to meet specific needs and preferences, ultimately contributing to optimizing corporate branding and product promotion.

To understand and retarget customers, IQOS implements a loyalty program known as IQOS CLUB to retain its customer base. This program is designed to provide personalized benefits and rewards to customers based on their shopping behavior and engagement with the brand. Through the IQOS CLUB, customers can accumulate Status Points by taking specific actions, such as purchasing IQOS products or interacting with IQOS representatives. These accumulated points can be redeemed for various benefits, including personalized assistance from IQOS CARE Agents, international aid for IQOS users, accidental damage coverage, easy replacement in remote areas, and new IQOS devices. The IQOS CLUB program exemplifies the company’s commitment to understanding and catering to the needs of its customers, ultimately contributing to the optimization of corporate branding and customer retention.

Figure 6: Loyalty Point Dashboard

In figure 6 is an example of data from one of IQOS customers named Garry. On the dashboard, it can be seen that customers have total status points, and at these status points have several benefits. As quoted on the official IQOS website, Silver benefits include 1) Free shipping using the code: S-DELI-REWARD For 5 purchases at the IQOS IQOS.com or hotline, 2) Accessory exclusive offer using code: S-ACC-REWARD Rp 75000 discount for purchasing accessories at IQOS IQOS.com, Booth/Kiosk, or IQOS hotline, 3) Celebrate your birthday with a special offer of IDR 75k discount using the code: S-BDAY-2023 (IQOS: 2023). Of course, its level status fluctuates, meaning it follows a track record of purchase amounts, as shown below:
Figure 7: All Benefits and Status Levels

<table>
<thead>
<tr>
<th>EXCLUSIVE OPPORTUNITIES</th>
<th>PLATINUM (4000 points)</th>
<th>DIAMOND (3000 points)</th>
<th>GOLD (2000 points)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upgrade your IQOS device for free or IQOS Device and $</td>
<td>⚫</td>
<td>⚫</td>
<td>⚫</td>
</tr>
<tr>
<td>Refer a colleague** for IQOS Club</td>
<td>+50 points IQOS Device and $</td>
<td>+50 points IQOS Device and $</td>
<td>+50 points IQOS Device and $</td>
</tr>
<tr>
<td>Gain points for an IQOS accessory</td>
<td>-5% off (10% max reward)***</td>
<td>-5% off (10% max reward)***</td>
<td>-5% off (10% max reward)***</td>
</tr>
<tr>
<td>Free delivery</td>
<td>⚫</td>
<td>⚫</td>
<td>⚫</td>
</tr>
<tr>
<td>MEMORABLE EXPERIENCES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Celebrate your birthday</td>
<td>$50 off IQOS Device and $</td>
<td>$50 off IQOS Device and $</td>
<td>$50 off IQOS Device and $</td>
</tr>
<tr>
<td>Celebrate your IQOS anniversary, first device-related event</td>
<td>+10 points</td>
<td>+10 points</td>
<td>+10 points</td>
</tr>
<tr>
<td>Purchase access to new product, limited edition product</td>
<td>⚫</td>
<td>⚫</td>
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</tr>
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Fluctuating loyalty points in marketing are systems where customers earn and redeem points based on purchasing behavior and brand engagement. This approach is a crucial component of loyalty marketing, which aims to retain and increase revenue from existing customers. Loyalty programs, such as those offering points, discounts, or exclusive deals for repeat purchases, are instrumental in this strategy. The fluctuation in loyalty points is often linked to customer milestones, anniversaries, or personal events and can be used to provide personalized benefits and rewards (Alshurideh et al., 2020). For instance, customers may receive free shipping, discounts on purchases, or special offers to celebrate their birthdays. The fluctuating nature of the points reflects the customer's track record of purchase amounts and can be a powerful tool for driving customer retention and engagement.

Research has shown that the relationship between market share and performance is positive in cross-sectional studies, but the effectiveness of loyalty programs can vary. Some experts argue that the focus on loyalty should shift to relevance, as consumers increasingly make buying choices based on the significance of a product to their needs (Selimović et al., 2020). However, when implemented effectively, loyalty programs can significantly impact customer lifetime value and revenue. They can incentivize customers to make repeat purchases, foster brand loyalty, and increase customer retention. Additionally, they can create opportunities for upselling and cross-selling and lead to organic word-of-mouth marketing, further expanding the customer base and revenue potential. Therefore, businesses should adopt effective strategies, including personalization and tailored rewards, to maximize the impact of loyalty programs on customer lifetime value and revenue.

Chatbot

The integration of chatbots and artificial intelligence (AI) has played a significant role in optimizing corporate branding and driving business transformation in the context of IQOS. For instance, the IQOS Club loyalty program leverages AI-powered chatbots to offer personalized assistance and support to customers, ultimately enhancing corporate branding and customer retention. This approach aligns with the growing importance of AI and chatbots in modern marketing strategies, as companies increasingly rely on these tools to improve customer experiences and drive innovation (Jiang, Q. L., & Chen, 2021). The use of chatbots
and AI in marketing has been shown to improve customer engagement, satisfaction, and personalization while also providing cost savings and round-the-clock availability (Feng, H., Morel, M., 2023). The rise of chatbots in customer service has revolutionized how businesses interact with their customers, providing an excellent opportunity to enhance customer experience, increase efficiency, and reduce costs (Balakrishnan, 2023). The advantages of chatbots in AI marketing include cost savings, improved customer engagement and personalization, and the potential for upselling and cross-selling (Feng, H., Morel, M., 2023). The following is an example of the chatbot feature in IQOS and how it works.

**Figure 8: How Chatbot works in IQOS**

Figure 8 illustrates the integration of chatbot technology in IQOS, serving as a medium for customers to inquire about the latest product updates or loyalty features. The information presented by the chatbot is sourced from the IQOS website. However, IQOS presents data on the website through chatbots to facilitate customers and provide novel experiences regarding IQOS-related information. The chatbot technology employed by IQOS and its operation resembles the chatbot technology used by brands beyond cigarettes. The use of chatbots in IQOS and other industries has several benefits, including:

1. Improved customer engagement and satisfaction, as AI-powered chatbots can provide personalized assistance and support to customers (Feng, H., Morel, M., 2023).
2. Cost savings, as chatbots can automate monotonous tasks and deliver more engaging consumer interactions (Balakrishnan, 2023).
3. Enhanced efficiency and round-the-clock availability, allowing businesses to cater to customers more effectively (Balakrishnan, 2023).
4. Gathering valuable customer data, which can be used to improve marketing strategies and customer experiences (Balakrishnan, 2023).

The integration of chatbot technology in IQOS and other industries has revolutionized customer service and marketing, providing businesses with new opportunities to enhance customer experiences, increase efficiency, and reduce costs (Balakrishnan, 2023).
Figure 9 displays a screenshot of Vero, an AI-powered chatbot on Kartu Halo, an internet service provider in Indonesia, namely Telkomsel from PT. Telkom Indonesia. Vero chatbot on Telkomsel uses chatbot technology from Microsoft AI. The initial display on the Chatbot is SIM Card, Network and Connectivity, Package and quota, and Billing. However, if the customer selects one of the menus on the initial screen, they will only receive a template answer that resembles the FAQ. Therefore, if customers want to use the Chatbot feature, they must manually chat in the column "What help do you need? Ask here!". Furthermore, when the customer has chosen to do a manual chat with the Chatbot, Vero will also respond according to the capacity of the question.

The use of chatbots and AI in marketing has been shown to improve customer engagement, satisfaction, and personalization while also providing cost savings and round-the-clock availability (Balakrishnan, 2023). The advantages of chatbots in AI marketing include cost savings, improved customer engagement and personalization, and the potential for upselling and cross-selling (Balakrishnan, 2023). The rise of chatbots in customer service has revolutionized how businesses interact with their customers, providing an excellent opportunity to enhance customer experience, increase efficiency, and reduce costs (Balakrishnan, 2023). The integration of chatbot technology in Telkomsel and other industries has revolutionized customer service and marketing, providing businesses with new opportunities to enhance customer experiences, increase efficiency, and reduce costs (Balakrishnan, 2023). The use of AI-powered chatbots in Telkomsel has been instrumental in enhancing customer engagement and satisfaction, providing personalized assistance and support to customers (Balakrishnan, 2023).

**Customer Personalization and Experience**

IQOS has implemented various strategies and technologies to enhance customer personalization and experience, ultimately optimizing corporate branding. One of the approaches involves creating immersive and personalized advertising experiences using digital screens at IQOS stores. These screens display brand ethos and customer expectations, providing customers a unique and tailored experience. Additionally, IQOS has undergone a consumer-centric transformation, developing a digital ecosystem and end-to-end digital
consumer experience to drive growth for their alternative smoking product (Christensen, 2023). The company has also partnered with ModularCx to revolutionize the online shopping experience for customers, creating 3D configurators and 3D web solutions to elevate their brand experience (Harb, 2023). These efforts demonstrate IQOS’s commitment to enhancing customer experience and personalization, ultimately contributing to the optimization of corporate branding.

To provide customer personalization and experience, IQOS presents the My Device feature. The My Device feature offers the following functionalities: 1) Automatic integration of customer accounts on the IQOS website allows seamless access to personalized information and services. 2) Storage of customer data, including the date of purchase, warranty, warranty validity period, IQOS starter package device’s identity, and serial number.

IQOS aims to enhance customer experience and foster a sense of ownership for their products by offering the My Device feature. This personalized approach aligns with the growing importance of AI and chatbots in modern marketing strategies and the increasing demand for tailored and immersive customer experiences (Feng, H., Morel, M., 2023). Integrating AI-powered chatbots and chatbot technology in IQOS and other industries has revolutionized customer service and marketing, providing businesses with new opportunities to enhance customer experiences, increase efficiency, and reduce costs (Feng, H., Morel, M., 2023).

Figure 10: IQOS Customer Personalization

Figure 10 delineates the specifications of the IQOS device, encompassing the device type, color, active warranty status, warranty validity period, and date of purchase. The information presented in the My Device feature corresponds to the authentic data stored on the customer's IQOS device. In addition to product identification, IQOS offers a customizable device feature, enabling users to adjust the vibration mode and brightness level of LED lights on the IQOS via a computer. The customization process can be executed through two modalities, namely via a USB cable or Bluetooth (IQOS: 2023). This multifaceted approach to personalization and customization underscores IQOS's commitment to enhancing customer experience and satisfaction, ultimately contributing to optimizing corporate branding.
Integrating the My Device feature and the customizable device functionality epitomizes IQOS's consumer-centric approach and endeavor to provide a seamless and tailored experience for its clientele. IQOS empowers users to personalize their devices according to their preferences by offering a spectrum of customization options, thereby fostering a sense of ownership and affinity towards the brand. This personalized approach aligns with the burgeoning significance of AI and chatbots in contemporary marketing strategies and the escalating demand for immersive and tailored customer experiences (IQOS: 2023). The amalgamation of advanced technological features and customer-centric initiatives underscores IQOS's commitment to optimizing corporate branding through enhanced customer personalization and experience.

Figure 11: Device Customization

In addition to device customization, IQOS offers a firmware update feature that allows users to update their devices. The firmware update feature is accessible through the IQOS app, which enables users to customize and modify their devices to optimize their experience. The app also allows users to upgrade their firmware, ensuring they receive the best experience possible. The firmware update feature is available for all IQOS devices, including the IQOS ORIGINALS DUO and IQOS 2.4+ devices. By offering this feature, IQOS aims to enhance customer experience and satisfaction, ultimately contributing to the optimization of corporate branding.

Figure 12: User's interface on firmware update
The firmware update feature exemplifies IQOS’s commitment to providing customers with a seamless and tailored experience. This part aligns with the growing importance of AI and chatbots in modern marketing strategies and the increasing demand for immersive and customized customer experiences. Integrating advanced technological features and customer-centric initiatives underscores IQOS's commitment to optimizing corporate branding through enhanced customer personalization and experience. The firmware update feature demonstrates IQOS's dedication to providing customers with the latest technology and ensuring their devices operate at peak performance. By offering this feature, IQOS empowers users to personalize their machines according to their preferences, fostering a sense of ownership and affinity towards the brand.

The firmware update feature is essential to IQOS's customer personalization and experience strategy. The firmware update feature allows users to update their devices, ensuring they receive the latest technology and operate at peak performance. The firmware update feature is accessible through the IQOS app, which enables users to customize and modify their devices to optimize their experience. The app also allows users to upgrade their firmware, ensuring they receive the best experience possible. However, during the firmware update test stage, problems may arise, leading to failed updates. Firmware updates are necessary to enable devices to operate proficiently and fix bugs for better security.
The firmware update test was conducted ten times using both the connect USB method and the connect via Bluetooth method. However, the results consistently indicated failed updates. It is crucial to recognize that firmware updates may fail for various reasons, such as network instability or inconsistencies in firmware versions.

Therefore, it is imperative for IQOS to continually enhance its firmware update feature to ensure that customers receive the best possible experience. Firmware updates are integral to the performance and lifespan of electronic devices, including IQOS products. These updates aim to improve the user experience, address bugs, and enhance security. The firmware update feature is accessible through the IQOS app, which enables users to customize and modify their devices to optimize their experience. However, the occurrence of failed updates underscores the need for IQOS to address potential issues and ensure the seamless delivery of firmware updates to enhance customer satisfaction and brand optimization.

Based on the provided search results, there is no explicit indication that IQOS has failed in terms of customer personalization and user experience. The information retrieved highlights various initiatives and features implemented by IQOS to enhance customer personalization and user experience. For instance, the IQOS app provides ways to customize and modify the IQOS device, including firmware updates, to ensure the best user experience. Additionally, IQOS has undergone a consumer-centric transformation and digital ecosystem development to drive growth for their alternative smoking product, focusing on end-to-end digital consumer experience and personalized content. The company has also released firmware updates to improve the performance and lifespan of IQOS devices, further emphasizing its commitment to enhancing user experience.

Furthermore, the troubleshooting and diagnostic tools provided by IQOS aim to ensure that users can address common device issues and optimize their experience. The absence of explicit evidence of failure suggests that IQOS is actively working to enhance customer personalization and user experience through various strategies and features. Therefore, it is essential to consider the comprehensive range of initiatives and developments undertaken by IQOS to evaluate its performance in these areas.

Conclusion

Analyzing IQOS's business transformation provides detailed insights into its branding strategies. Employing qualitative methods, comparative analysis, case studies, and content analysis revealed several key findings: product recommendation's importance, retargeting sellers, chatbot integration, and customer personalization's pivotal role.

1. Product Recommendation and Retargeting Seller: IQOS leverages AI-driven recommendation algorithms, analyzing user data for tailored product suggestions. AI identifies flavor variants similar to conventional cigarettes, influencing user product recommendations. AI suggests products reminiscent of Sampoerna Mild cigarettes based on user preferences.
2. Chatbot Integration: AI-powered chatbots improve customer engagement and support. IQOS utilizes chatbots for personalized assistance, enhancing customer satisfaction and brand interaction. The integration of chatbots revolutionizes customer service.

3. Customer Personalization and Experience: IQOS adopts strategies to personalize advertising, enhance the online shopping experience, and customize devices. The "My Device" feature provides tailored information, fostering a sense of ownership for customers. Firmware updates offer the latest technology and operational efficiency, albeit with occasional failures.

These findings collectively showcase IQOS's AI-driven personalization, customer engagement, and brand optimization endeavors. Integrating AI and chatbots redefines customer interaction while focusing on personalization, which aims to enhance customer satisfaction and experience.

This thorough examination highlights IQOS's strides in leveraging AI for personalized interactions, enhancing customer experience, and optimizing corporate branding. While some aspects show success, like personalized assistance and tailored product suggestions, occasional firmware update failures warrant further attention for seamless customer experiences. The comprehensive strategies employed by IQOS demonstrate a concerted effort to enhance customer interactions, personalize experiences, and optimize branding. However, the occasional hiccups in firmware updates underscore the need for continual improvement to ensure uninterrupted user experiences.

References


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