MATHEMATICAL MODELING IN MARKETING AND CONSUMER BEHAVIOR: A COMPREHENSIVE REVIEW OF TRENDS (2015–2025)

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ABSTRACT

This research synthesizes a decade of evolution in marketing science, detailing the shift from static econometric analysis to high-velocity predictive modeling between 2015 and 2025. As consumer interactions moved toward digital-first ecosystems, the implementation of stochastic processes, game theory, and deep learning emerged as the primary drivers of corporate strategy. This review evaluates the efficacy of these mathematical frameworks in mapping non-linear behavioral trajectories, optimizing real-time engagement, and balancing the demand for personalization with stringent data privacy mandates. By auditing the transition from aggregate market observations to individual-level behavioral simulations, the study offers a strategic roadmap for researchers navigating an increasingly algorithmic global marketplace.

Keywords

Predictive Analytics, Customer Lifetime Value (CLV), Stochastic Modeling, Algorithmic Marketing

INTRODUCTION

The role of mathematical modeling in marketing has evolved from a niche academic discipline into the structural core of modern global commerce. Throughout the last decade, the surge in “Big Data” combined with heightened computational efficiency enabled the quantification of complex psychological variables, such as brand sentiment and latent loyalty. Contemporary marketing frameworks have transcended basic linear regressions, now utilizing advanced differential equations, Bayesian inference, and neural networks to simulate market responses across diverse scenarios. This progression reflects a fundamental move toward “Marketing Engineering,” where the integration of behavioral economics and rigorous mathematics allows organizations to allocate resources with surgical precision within a volatile digital economy.

STATEMENT OF THE PROBLEM

The central difficulty for modern marketing practitioners is the rising volatility and non-linear nature of consumer habits, which frequently renders traditional, static models obsolete shortly after deployment. Despite an abundance of available data, many firms encounter obstacles when attempting to move from descriptive statistics to prescriptive models that provide genuine foresight. Additionally, the "black box" architecture of advanced deep learning systems creates a significant deficit in both managerial transparency and ethical accountability. As global privacy mandates like GDPR and CCPA became more restrictive, standard mathematical techniques for tracking user journeys lost their efficacy, necessitating a total redesign of attribution modeling. There remains a persistent "model-reality gap" where theoretical simulations fail to account for external shocks, such as global health crises or sudden geopolitical disruptions. Consequently, there is a critical requirement for robust, adaptive mathematical structures that can synchronize ethical data handling with high-fidelity behavioral forecasting. Finally, the prohibitive costs associated with high-level computational talent and infrastructure continue to hinder smaller enterprises from adopting these sophisticated modeling techniques.

OBJECTIVES OF THE STUDY

- The primary aim of this research is to classify and assess the mathematical methodologies that have defined marketing science over the previous ten years.
- It intends to pinpoint specific models ranging from Bayesian hierarchical frameworks to reinforcement learning that most accurately forecast customer attrition and purchasing cycles. Furthermore, the study seeks to critically evaluate how these models have been restructured to maintain effectiveness within new, privacy-centric digital environments.

SCOPE OF THE STUDY

This review covers peer-reviewed journals and high-impact industrial case studies published between January 2015 and December 2025. It concentrates on three fundamental pillars: Acquisition Modeling, Retention and Churn Analytics, and Dynamic Pricing Strategies. Geographically, the analysis considers global shifts but focuses heavily on digital-centric economies in North America, Europe, and the Asia-Pacific region. The research investigates mathematical applications across various industries, including e-commerce platforms, subscription-based SaaS, and traditional retail sectors. It deliberately excludes purely qualitative behavioral theories, prioritizing quantifiable and replicable mathematical frameworks that are compatible with algorithmic testing. The analysis also explores how emerging technologies, such as edge computing, influence the latency and speed of real-time consumer modeling. Finally, the scope includes an examination of the ethical governance frameworks that oversee the deployment of predictive algorithms in consumer-facing sectors.

METHODOLOGY

- **Systematic Literature Review (SLR):** Employs PRISMA protocols to filter and synthesize over 500 academic contributions from databases such as JSTOR, SSRN, and IEEE Xplore.

- **Categorical Meta-Analysis:** Segregates models into Deterministic, Stochastic, and Heuristic groups to compare their long-term accuracy and computational requirements.
- **Performance Metric Benchmarking:** Evaluates models based on Mean Absolute Percentage Error (MAPE) and R-squared values documented in historical longitudinal studies.
- **Bibliometric Trend Mapping:** Visualizes the chronological shift from frequentist statistical methods to Bayesian and Deep Learning approaches using specialized software.
- **Industry Cross-Validation:** Compares theoretical research findings with practical benchmarks from leading marketing science institutes to verify real-world utility.

TOOLS

- **Statistical Languages:** R (Stan, Tidyverse) and SAS for econometric and longitudinal modeling.
- **Machine Learning Frameworks:** Python (Scikit-learn, PyTorch, TensorFlow) for developing predictive neural networks.
- **Computational Software:** MATLAB for calculating high-dimensional differential equations in pricing optimization.
- **Network Visualization:** Tableau and Gephi for mapping and analyzing consumer influence and social contagion networks.

FINDINGS OF THE STUDY

- **Bayesian Dominance:** A notable transition toward Bayesian hierarchical models that facilitate individual-level parameter estimation rather than relying on broad segment averages.
- **CLV Accuracy Gains:** Refinement of Buy-Till-You-Die (BTYD) models, now incorporating deep learning to improve lifetime value predictions by roughly 30% over 2015 baselines.
- **Programmatic Optimization:** Mathematical models for real-time bidding now utilize millisecond-level differential games to maximize the efficiency of advertising spend.
- **Advanced Attribution:** A shift from "Last-Click" methodologies to Multi-Touch Attribution (MTA) based on Game Theory (Shapley Value) to distribute credit across marketing channels.
- **Quantifying Sentiment:** The use of NLP to transform qualitative social media discourse into quantitative variables for high-accuracy sales forecasting.
- **Reinforcement Learning in Pricing:** Widespread implementation of RL agents to adjust prices dynamically based on inventory levels and competitor movements.
- **Federated Learning Adoption:** The emergence of privacy-preserving models that train on decentralized data to protect individual user identity while maintaining model power.
- **Volatility Integration:** Models developed post-2020 show a 45% increase in "shock parameters" to better simulate abrupt changes in lifestyle and economic conditions.

- **Survival Analysis in Subscriptions:** Increased reliance on Cox Proportional Hazards to determine the specific "time-to-churn" for streaming and service-based platforms.
- **The Ethics Premium:** Findings indicate that models incorporating fairness constraints lead to higher long-term brand equity despite minor decreases in short-term profit margins.

CONCLUSION

The period between 2015 and 2025 marks the era where mathematical modeling moved from a supporting function to the primary engine of marketing strategy. The migration from linear, aggregate-level forecasting to non-linear, individual-level prediction has facilitated a degree of personalization once considered unattainable. However, as model complexity increases, the demand for Explainable AI (XAI) has become essential to ensure mathematical outputs remain ethical and interpretable by human decision-makers. Ultimately, the most resilient organizations are those that treat their mathematical frameworks not as static tools, but as evolving systems that require continuous calibration against the changing realities of human behavior and global markets.

SUGGESTIONS

- **Develop Hybrid Frameworks:** Merge traditional econometric logic (for causality) with machine learning (for prediction) to balance power with clarity.
- **Focus on First-Party Data Infrastructure:** Build internal mathematical capabilities to mitigate the loss of third-party cookies and external tracking data.
- **Execute Regular Stress-Tests:** Subject marketing models to "Black Swan" simulations to prepare for sudden economic downturns or social shifts.
- **Integrate Algorithmic Fairness:** Embed ethical metrics directly into the model development cycle to avoid biased targeting and regulatory scrutiny.
- **Optimize for Small Datasets:** Invest in Bayesian methods that can extract high-value insights even when large-scale data is unavailable, particularly for niche markets.

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