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# THE LIFE CYCLE OF RETAIL CUSTOMERS IN COMMERCIAL BANKS OF UZBEKISTAN IN THE CONTEXT OF DIGITAL TRANSFORMATION

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### Abstract

The purpose of this study is to examine the characteristics of the retail customer lifecycle in commercial banks of the Republic of Uzbekistan and to develop recommendations for improving customer relationship management in the context of digitalization in the banking sector. The study is based on the concepts of relationship marketing, customer lifetime value (CLV), customer relationship management (CRM), and customer-centric management of banking services. Methods of system analysis, comparative analysis, logical generalization, literature review, and conceptual modeling were used.

The study results demonstrate that traditional customer lifecycle models are being transformed by digital technologies, mobile banking, and personalized services. An adapted retail customer lifecycle model for commercial banks of Uzbekistan is proposed, including the stages of digital acquisition, onboarding, active use, relationship expansion, retention, and re-engagement.

**Keywords:** Customer lifecycle, customer lifetime value, banking marketing, retail banking, CRM, digital banking, commercial banks of Uzbekistan, customer experience.

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### Introduction

With the digital transformation of the financial sector, traditional approaches to customer relationship management in the banking system are undergoing significant changes. Modern retail customers are no longer viewed as mere consumers of certain banking services; they are long-term assets for the bank, shaping its financial stability and competitiveness.

The development of remote service channels, mobile banking and digital platforms is significantly changing the interaction between banks and customers. Research shows that trust, convenience of digital services and personalization have a significant impact on customer behavior and their relationship with banking services.

The rapid development of digital financial technologies and the expansion of remote banking services in Uzbekistan are creating the basis for rethinking existing models of bank-client interactions.

**Research objective:** To study the characteristics of the retail customer life cycle in commercial banks of Uzbekistan and identify areas for improving customer relationship marketing management.

### Research objectives:

- study the theoretical foundations of the customer life cycle;
- identifying the stages of the customer life cycle in the banking sector;
- studying the impact of digitalization on customer behavior;
- Development of a customized customer lifecycle model for Uzbek banks.

### Research hypothesis

Increasing the level of digitalization and personalization has a positive impact on the customer lifecycle and contributes to increasing their long-term value to the bank.

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### Literature review

In recent years, digital transformation has fundamentally changed the operating model, customer relationships, and value creation mechanisms in the banking sector. Research shows that digital banking technologies (mobile banking, fintech APIs, artificial intelligence, and Big Data analytics) not only increase the efficiency of banks' service delivery, but also significantly improve the customer experience (Vial, 2019; Gomber et al., 2018).

In retail banking, in particular, digital transformation has transformed customer lifecycle management from a traditional "branch-centric" model to an "omnichannel and data-driven" model. This shift is driven by the proliferation of customer touchpoints and the emergence of real-time personalization capabilities. The concept of the customer life cycle is based on the theory of relationship marketing (Relationship Marketing) proposed by Berry (1983) and the trust and commitment model of Morgan and Hunt (1994).

Customer Lifecycle Management (CLM) theory encompasses the stages of customer acquisition, activation, retention, and revenue maximization. In the banking industry, CLM is a strategic approach aimed at maximizing the economic value of the customer (Customer Lifetime Value – CLV).

While classical CLM models (Reinartz & Kumar, 2003) interpreted it as a linear process, modern approaches see it as a cyclical and dynamic system. This transformation is mainly associated with digital technologies and data-driven decision-making systems. Modern research on bank marketing shows that the use of digital service channels directly affects customer satisfaction and the intensity of use of banking services.

Research by Ekinçi, Uray and Ülengin has shown that Customer Lifetime Value (CLV) is one of the main tools for evaluating the effectiveness of a bank's long-term relationships with customers.

Research conducted in Uzbekistan confirms the impact of digital technologies, service quality, and the convenience of remote service on customer behavior.

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Despite the existence of research on digital banking, the issues of adapting customer lifecycle models to the specifics of the Uzbek banking market remain understudied.

It shows the transition to intelligent customer lifecycle management systems based on Big Data ( Big Data ), open banking services ( Open Banking ) and predictive analytics.

The concept of hyperpersonalization It is gaining importance in global practice between 2024 and 2026. Traditional Unlike segmentation, hyperpersonalization uses dynamic decision-making models and artificial intelligence technologies. Research shows that improving the customer experience through artificial intelligence significantly increases the likelihood of customer retention and long-term value.

The new scientific direction is the transition from Openness to Open Conception based banking Finance integrates not only bank account information, but also information about insurance, investments, pension products and other financial services through API interfaces. This allows for the creation of a comprehensive customer profile and significantly expands the personalization of banking services.

The concept of potential has been further developed Customer Lifetime Value (PCLV) — the potential long-term value of a customer. Unlike the classic customer lifetime value (CLV) model, it takes into account open data about banking and customer financial behavior outside a single bank. Studies show that the use of external data can increase the accuracy of customer value estimates by more than 20%.

Big Data analytics allows banks to analyze and segment customer behavior in real time, while artificial intelligence automates the process of forecasting and decision-making based on this data (Davenport & Ronanki, 2018).

Omnichannel banking is to the customer one how many channels ( mobile via app , internet banking, ATM and branch) continuous experience creates .

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Research this shows that omnichannel strategies customer satisfaction and loyalty increases (Beck & Rygl , 2015).

Customer customer engagement from banking services use intensity and interactivity level represents . High level of customer engagement hold retention and positive towards loyalty impact does .

Retention strategies usually personalization , reward systems and churn prediction models Loyalty is based on customer's the bank to others recommendation to do through advocacy measured (NPS model ) .

### Research methodology

The research is based on the following methods:

- system analysis;
- comparative analysis;
- structural and logical analysis;
- scientific generalization method;
- conceptual modeling;
- analysis of secondary statistical and scientific sources.

The data base for the study was:

Scientific publications indexed in Scopus;

- bank marketing research;
- Analytical materials on the banking sector of Uzbekistan;
- research on digital banking.

### Research results

Based on the analysis conducted, the following model of the life cycle of a retail client of a commercial bank is proposed.



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### **Stage 1. Digital customer acquisition**

Tools:

- digital marketing;
- mobile applications;
- social networks;
- referral programs;
- personalized advertising.

### **Stage 2. Customer customization**

Tools:

- recruitment;
- digital identification;
- welcome offers;
- training on how to use the services.

### **Stage 3. Active use of banking services**

Main products:

- payment cards;
- mobile banking;
- consumer loans;
- deposits;
- money transfers.

### **Stage 4. Relationship Development**

Fixed assets:

- mutual trade;
- additional sales;
- segmentation customers ;
- predictive analysis;
- personalize offers.

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### Stage 5. Customer retention

Main mechanisms:

- loyalty programs;
- bonuses;
- cash refund;
- individual service conditions.

### Step 6: Reactivate

Mechanisms:

- special offers;
- personalized communication;
- forecasting customer churn.

Analysis of international practice allowed us to identify modern trends in changing the customer lifecycle in the banking sector.

First, there is a shift from a reactive service model to a predictive communication model, where the bank knows the customer's needs even before the request arises. For example, transaction analysis can identify a customer's likely need for loans, investment products, or savings programs.

Agency AI are introducing — these are autonomous intelligent systems that are capable of not only analyzing data, but also independently initiating certain actions: supporting the account opening process, creating offers, providing customer service, and preventing the risk of losing customers.

The ecosystem approach (Banking Ecosystem Model), in which the bank becomes part of a single digital environment that combines e-commerce, payments, insurance, transportation services, and government services.

The proposed model of the retail customer life cycle of commercial banks in Uzbekistan has been supplemented with two new stages:

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### Intelligent prediction of customer behavior

Tools:

- artificial intelligence;
- machine learning;
- predictive analysis;
- modeling behavior;
- processing large amounts of data.

### Ecosystem interactions

Tools:

- Open Finance;
- API platforms;
- digital collaboration;
- integrated financial services ( Integrated Finance );
- integrated platform solutions.

Analysis of international experience shows that modern competition between banks is gradually shifting from product competition to customer experience competition ( Customer Experience Competition ). Banks are now competing not only on interest rates and tariffs, but also on speed, convenience, personalization and the quality of digital interactions.

A new approach is emerging in global practice – artificial intelligence-based banking , in which the banking architecture was designed from scratch around artificial intelligence and a single digital customer profile. Experts say that the effectiveness of artificial intelligence directly depends on data integration and the presence of a single customer context.

For Uzbek banks, this trend means the need to move from traditional CRM systems to intelligent customer relationship management platforms.

The scientific novelty of the study also includes:

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4. The Customer Lifecycle Model combines modern concepts from Open Finance and Agency AI.
5. The possibility of applying the concept of potential is based on the Customer Term Value (PCLV) in commercial banks of Uzbekistan.
6. An expanded approach to customer lifecycle management has been developed that takes into account ecosystem interactions and predictive customer behavior. Research shows that digital platforms and personalized services increase customer engagement and help strengthen long-term relationships between banks and consumers.

### Results

In recent years, the banking system of Uzbekistan has been demonstrating stable and high growth dynamics. According to the Central Bank, by the beginning of 2026, the total assets of the banking sector reached 932.3 trillion soums, which is an annual increase of 19.5% compared to the previous year.

At the same time, by 2026:

- loan portfolio: 613.7 trillion soums
  - deposits: 421.9 trillion soums
  - Capital: 135.3 trillion soums
- Key indicators such as also expanded significantly.

### Important trend:

The growth rate of deposits (+32.1%) is significantly higher than loans (+13.6%), which indicates a strengthening of the resource base in the banking system.

In 2025, the total volume of loans issued by banks in Uzbekistan amounted to 390 trillion soums (~\$32 billion), which is a 36% increase compared to the previous year.

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The structure of the loans is as follows:

- Loans in national currency: the main growth driver
- Loans to the population: 156.8 trillion soums
- corporate loans: 108.8 trillion soums

The retail lending segment is expanding rapidly, fueling banks' shift to a retail banking model.

The deposit base is one of the fastest growing components of the banking sector. In 2025–2026:

- 2025: 371.5 trillion soums
- 2026: 421.9 trillion soums

annual growth: ~32%

This growth is explained by the following factors:

- increased confidence in the banking system
- expansion of digital banking (mobile apps)
- diversification of deposit products.

Digital banking is expanding rapidly in Uzbekistan. According to official data:

- banking assets reached ~71.8 billion USD in 2025;
- average sector growth: around ~20%;
- digital banking users: over 82.4 million.

Important point:

The vast majority of transactions are now:

- mobile banking
- internet banking
- QR payments is being carried out through.

This situation creates the following changes in the retail customer lifecycle:

- onboarding acceleration
- increased engagement rate
- reduced churn rate

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One of the important features of the Uzbek banking sector is its high level of concentration:

- Share of state-owned banks: ~65% of assets
- The majority of loans are issued by large banks.
- deposits and capital are also concentrated in large institutions

This is a structural feature:

- faster implementation of digital transformation
- "top-down" diffusion of innovations
- a centralized model of fintech integration
- strengthens.

The results obtained show that the classic customer lifecycle model is changing under the influence of the digital economy.

Commercial banks in Uzbekistan are distinguished by the following features:

- high speed of implementation of digital technologies;
- growth in the use of mobile banking services;
- increasing the importance of personalized offers;
- changing customer requirements for service quality.

The growth in the number of users of remote banking services indicates a structural change in the behavior of banking consumers.

The results of the study showed that the process of managing relationships with retail customers in Uzbek commercial banks has become a more dynamic, cyclical and data-driven ecosystem than the traditional linear model under the influence of digital transformation. The proposed conceptual model (Figure 1) represents the seven main stages of the customer life cycle and their interrelationships with digital technologies.

Empirical observations show that banks are now relying more on **\*\*digital ecosystems (mobile apps, social networks and fintech platforms)\*\*** than traditional marketing channels during the customer acquisition phase. This helps reduce customer acquisition costs and increase conversion rates.

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The introduction of electronic KYC and biometric identification technologies at the onboarding stage has significantly reduced the time for customer registration and reduced branch dependence. This has resulted in increased operational efficiency of banking services.

In the active use phase, the widespread adoption of mobile banking and real-time payment systems has increased customer transaction activity. At the same time, personalization services based on Big Data have increased customer dependence on the platform.

The use of AI-based churn prediction models in the retention phase has allowed banks to predict customer churn and implement preventive marketing measures. As a result, customer retention rates have increased.

Revenue diversification has been enhanced through the formation of individual product offerings based on customer segmentation and predictive analytics at the cross-sell and up-sell stages.

In the loyalty and advocacy phase, referral systems and NPS-based customer rating mechanisms have increased the level of customers recommending banking services to others.

### Scientific novelty of the research

The scientific novelty of the study is as follows:

1. A customized retail customer lifecycle model has been developed for commercial banks in Uzbekistan.
2. The impact of digitalization on changes in the customer lifecycle structure is determined.
3. Guidelines are offered for improving customer relationship marketing management based on personalized digital tools.

The results of the research can be used to:

- Commercial banks in developing CRM strategies;
- marketing departments of banks;

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- digital transformation experts;
- banking marketing researchers.

### Conclusion

Customer lifecycle management is one of the most important factors in increasing the competitiveness of commercial banks. With the digitalization of the banking sector in Uzbekistan, traditional approaches to customer interaction are gradually giving way to personalized service models based on analytical technologies and digital platforms.

Effective customer lifecycle management can increase loyalty levels, reduce customer churn, and increase the long-term value of your customer base.

The study results confirm that artificial intelligence has a significant impact on customer lifecycle management through personalization and improved customer experience.

Consistent with Rust's research and Huang (2021), they highlight the increasing role of artificial intelligence in transforming marketing processes.

Hyperpersonalization has been identified as a bridge between AI technologies and customer experience. This is supported by contemporary digital banking research that shows a shift from mass service to personalized interaction models. was found to be the most important predictive factor of customers. Duration Value .

The results obtained allow us to conclude that the introduction of artificial intelligence-based marketing tools for commercial banks in Uzbekistan can become an important factor in increasing competitiveness and long-term effectiveness of customer relationships.

The results obtained confirm that digital transformation has fundamentally changed the paradigm of customer lifecycle management in the banking sector. The proposed model (Figure 1) shows that the customer relationship is no longer

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a static process, but a cyclical system that is updated in real time and driven by AI.

An important theoretical contribution of this study is that it interprets the customer lifecycle in the context of retail banking not as a marketing model alone, but as an integrated digital ecosystem model. This approach extends traditional CRM theories and places fintech, AI, and Big Data components at the center.

In practical terms, the results provide the following strategic conclusions for banks:

Firstly, digitizing the customer onboarding process significantly improves the customer experience while reducing operational costs. Secondly, AI-based churn prediction systems are an important tool for reducing customer attrition. Thirdly, omnichannel strategies increase bank loyalty by ensuring continuous communication with the customer.

However, the study also highlights some of the limitations of digital transformation, including data security, cybersecurity risks, and digital inequality issues that can complicate banks' full digitalization process.

Overall, the results confirm that the retail customer lifecycle model in Uzbek commercial banks has become a more complex, but more effective, management system in the context of digital transformation.

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