

AI-Driven Marketing Personalization and the Consumer Privacy Paradox: A Systematic Literature Review of Trust, Engagement, and Purchase Behavior

Lili Suryati¹, Edison Parulian²

^{1,2} Department of Management, Universitas IBBI, Medan, Indonesia.
Email: suryatylili@yahoo.com¹, edisp73@gmail.com²

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ABSTRACT

This study aims to synthesize the development of research on AI-driven marketing personalization and the consumer privacy paradox, with particular attention to trust, customer engagement, and purchase behavior. A qualitative systematic literature review was conducted by examining peer-reviewed studies published in major academic databases, including Scopus, Web of Science, ScienceDirect, Emerald Insight, SpringerLink, and Google Scholar. The selected literature was analyzed through thematic synthesis to identify recurring concepts, theoretical perspectives, empirical relationships, and research gaps. The findings indicate that AI-driven personalization improves perceived relevance, usefulness, convenience, and customer experience, but its effectiveness is conditional on consumers' evaluations of privacy risk, transparency, fairness, and control over personal data. Trust emerged as the central mechanism that reconciles the benefits of personalization with concerns regarding surveillance, data misuse, and algorithmic opacity. The review also shows that customer engagement functions as an important link between trust and purchase-related outcomes, including purchase intention, continuance, loyalty, and advocacy. The principal finding is that personalization does not automatically generate favorable consumer behavior. Its impact depends on ethical data governance, explainable recommendations, privacy assurance, and consumers' perceptions of organizational responsibility. The study proposes an integrated framework connecting personalization, privacy concern, trust, engagement, and purchase behavior and recommends longitudinal, cross-cultural, experimental, and behavioral research.

Keywords: AI-Driven Personalization, Consumer Privacy Paradox, Consumer Trust, Customer Engagement, Purchase Behavior.

I. Introduction

Artificial intelligence has become an important component of contemporary marketing management because it enables companies to process large volumes of customer data, recognize behavioral patterns, and deliver marketing stimuli that are more relevant to individual consumers. Through machine learning, predictive analytics, recommendation systems, conversational agents, and automated content generation, firms can personalize product recommendations, advertisements, prices, messages, and customer-service interactions. This development has shifted marketing from broad market segmentation

toward real-time individualization. AI-driven personalization is consequently viewed as a strategic capability that can improve customer experience, strengthen engagement, increase conversion rates, and support more efficient marketing decisions. The rapid growth of research after 2020 further demonstrates that AI has become central to discussions of consumer experience, brand relationships, digital functionality, and autonomous purchasing behavior (Ribeiro et al., 2025).

More specifically, AI-driven marketing personalization refers to the automated use of consumer information and algorithmic analysis to tailor marketing content, recommendations, and interactions to customers' predicted needs. Personalization can reduce information overload by presenting products that correspond with consumers' preferences, previous searches, purchase histories, and digital activities. Gao et al. (2023) demonstrated that AI-enabled personalization can transform interactive marketing experiences by improving the relevance and perceived value of firm–customer interactions. Abrokwhah-Larbi and Awuku-Larbi (2023) similarly explained that generative AI, deep learning, smart data, and connected technologies can strengthen organizational capacity to develop personalized customer experiences. These findings suggest that personalization is no longer merely a promotional technique, but an increasingly important mechanism for managing customer relationships. Nevertheless, the effectiveness of personalization depends on access to detailed consumer data. Digital platforms collect information concerning location, browsing behavior, product interests, social-media activity, transaction history, and responses to previous advertisements. This practice produces a fundamental contradiction known as the consumer privacy paradox. Consumers appreciate relevant recommendations and convenient services, yet may simultaneously feel uncomfortable about the volume, sensitivity, and opacity of the data used to produce them. Canhoto et al. (2024) found that consumers may resist AI-enabled personalization when data collection is perceived as invasive, even when personalized services offer functional benefits. Thus, the same technology that creates value through relevance can also destroy value by creating perceptions of surveillance, manipulation, or loss of control.

Previous empirical findings reveal that consumer responses to AI personalization are not uniform. Teepapal et al. (2025) found that AI-enabled personalization positively influenced perceived usefulness and trust, which subsequently encouraged consumer engagement. However, the study also reported that personalization did not directly increase engagement, indicating that favorable behavior depends on intervening psychological evaluations. An et al. (2025) likewise showed that the relationship between personalized advertising and purchase intention operates through perceived relevance, usefulness, and trust. These results imply that personalization does not automatically generate purchasing behavior simply because an advertisement is individually tailored. Consumers must first perceive the personalized message as relevant, useful, and credible. Other studies emphasize the adverse consequences of data-intensive personalization. Cai et al. (2023) demonstrated that consumer privacy concerns and intelligent personalization can stimulate purchase resistance through psychological contract violation. This occurs when consumers believe that companies have used personal information beyond acceptable boundaries. Saura et al. (2024), after synthesizing 28 studies, concluded that AI-based digital marketing introduces ethical issues involving user privacy, transparency, accountability, and the responsible use of personal data. Alhitmi et al. (2024) also stressed that data-security and privacy concerns can weaken consumer trust unless organizations implement transparent safeguards and responsible governance. Collectively, these findings show that privacy is not merely a technical or regulatory issue; it is a central marketing variable capable of influencing consumers' evaluations and behavioral responses.

Trust therefore occupies a critical position in explaining the personalization–privacy relationship. Consumers are more likely to engage with personalized systems when they believe that companies are competent, transparent, and responsible in managing personal information. Conversely, unclear algorithms, excessive data requests, and limited consumer control may increase perceived risk. Recent literature mapping by Riandhi et al. (2025) confirms that trust, privacy, and behavioral intention have emerged as dominant mediating concepts in AI-consumer research. However, the authors also found that quantitative surveys dominate the field, while longitudinal and cross-cultural investigations remain limited. The literature is consequently fragmented across different technologies, industries, countries, theoretical frameworks, and

outcome variables. Although substantial research has examined personalization, privacy concern, trust, engagement, and purchase intention, these constructs are frequently investigated separately. Some studies emphasize the benefits of relevance and usefulness, while others concentrate on surveillance, intrusiveness, or resistance. There remains insufficient synthesis explaining how trust reconciles the benefits of AI personalization with the privacy risks perceived by consumers and how this tension ultimately affects engagement and purchase behavior. A systematic examination is therefore required to map publication characteristics, classify the dominant variables and methods, compare prior findings, and identify underexplored relationships.

Accordingly, this study aims to systematically review and quantitatively describe previous research on AI-driven marketing personalization and the consumer privacy paradox. It specifically seeks to examine publication trends, research contexts, methodological characteristics, theoretical foundations, and the relationships among personalization, privacy concerns, trust, customer engagement, and purchase behavior. By integrating dispersed findings, the review is expected to produce a clearer conceptual framework, identify inconsistencies in the existing evidence, and formulate directions for future research on ethical, transparent, and consumer-centered AI personalization.

II. Literature Review and Hypothesis Development

2.1. AI-Driven Marketing Personalization

Artificial intelligence (AI) has fundamentally transformed the theory and practice of marketing by enabling organizations to deliver highly personalized experiences through data-driven decision making. Unlike conventional personalization, which relies on demographic segmentation or manually designed customer profiles, AI-driven marketing personalization utilizes machine learning, natural language processing, predictive analytics, and recommendation algorithms to analyze massive volumes of structured and unstructured consumer data in real time. This technological capability allows firms to understand customer preferences, predict future behaviors, and automatically generate individualized marketing content across multiple digital channels. As a result, AI has shifted marketing from reactive communication toward proactive and predictive customer relationship management, enabling firms to improve marketing efficiency while simultaneously enhancing customer value (Davenport et al., 2020; Huang & Rust, 2021; Dwivedi et al., 2023). The theoretical foundation of AI-driven personalization is closely associated with relationship marketing, customer relationship management (CRM), and service-dominant logic, all of which emphasize the creation of long-term value through continuous interaction between firms and customers. AI strengthens these theoretical perspectives by providing organizations with the capability to learn from every customer interaction and dynamically adapt marketing strategies according to evolving consumer preferences. Recent studies argue that AI has expanded personalization beyond simple product recommendations to include individualized pricing, customized promotional messages, conversational customer service, intelligent search systems, and automated content generation. Consequently, personalization is increasingly regarded as a strategic organizational capability rather than merely a technological application, allowing firms to establish sustainable competitive advantages in digital markets (Lemon & Verhoef, 2016; Mariani et al., 2023; Abrokwhah-Larbi & Awuku-Larbi, 2023).

The rapid advancement of generative artificial intelligence has further accelerated the development of personalized marketing. Large language models, generative recommendation systems, and AI-powered conversational agents now enable firms to produce personalized content with unprecedented speed and scalability. Ribeiro et al. (2025) emphasize that generative AI significantly enhances customer interactions by creating contextually relevant communication while reducing operational costs. Similarly, Teepapal et al. (2025) found that AI-enabled personalization improves perceived usefulness and customer trust, which subsequently strengthen customer engagement. Gao et al. (2023) further demonstrated that intelligent personalization positively influences consumers' perceptions of service quality and overall customer

experience. These findings collectively indicate that personalization contributes not only to marketing effectiveness but also to consumers' cognitive and emotional evaluations of digital services. Consequently, AI-driven personalization has become an integral component of digital transformation strategies across industries, including retailing, financial services, tourism, healthcare, education, and electronic commerce (Mariani et al., 2023; Ribeiro et al., 2025; Teepapal et al., 2025).

Despite these significant benefits, contemporary literature consistently argues that AI-driven personalization should not be viewed solely from the perspective of technological capability. Its effectiveness depends on consumers' willingness to disclose personal information and their perceptions regarding how organizations collect, process, and utilize that information. Excessive personalization may create feelings of surveillance, algorithmic manipulation, and loss of personal autonomy, particularly when consumers perceive limited transparency regarding data practices. Consequently, researchers increasingly advocate a balanced perspective that recognizes both the opportunities and the potential risks associated with AI-enabled personalization. Recent systematic reviews conclude that future marketing research should integrate technological innovation with ethical governance, consumer privacy protection, transparency, fairness, and trust to ensure sustainable adoption of AI-driven marketing strategies (Canhoto et al., 2024; Saura et al., 2024; Riandhi et al., 2025; Dwivedi et al., 2023). This evolving perspective provides the conceptual foundation for examining the consumer privacy paradox and its implications for trust, engagement, and purchase behavior within AI-mediated marketing environments.

2.2. Consumer Privacy Paradox

The rapid expansion of AI-driven marketing personalization has intensified scholarly attention toward one of the most debated issues in digital marketing, namely the consumer privacy paradox. This concept describes the contradiction between consumers' expressed concerns about the protection of their personal information and their actual willingness to disclose that information in exchange for personalized services, convenience, or economic benefits. In digital environments, consumers routinely share browsing histories, purchase records, geographic locations, social media activities, and behavioral preferences to obtain customized recommendations and seamless online experiences. Although many individuals recognize the potential risks associated with extensive data collection, they often continue using digital platforms because the perceived benefits outweigh the perceived costs. This contradictory behavior has become increasingly significant with the widespread adoption of artificial intelligence, where data represent the primary resource for developing predictive algorithms and personalized customer experiences (Norberg et al., 2007; Aguirre et al., 2015; Martin & Murphy, 2017; Canhoto et al., 2024).

The theoretical explanation of the privacy paradox is largely grounded in Privacy Calculus Theory, which proposes that consumers make rational evaluations by comparing the expected benefits of information disclosure with the perceived risks of privacy loss. According to this perspective, consumers are willing to share personal information when they believe that the resulting value, such as convenience, relevant recommendations, faster transactions, or financial incentives, exceeds potential privacy risks. However, these evaluations are not purely economic. They are also influenced by perceptions of transparency, organizational reputation, previous experiences, institutional trust, and the degree of control consumers believe they possess over their personal data. Recent studies indicate that AI technologies have made these evaluations more complex because consumers often lack sufficient understanding of how algorithmic systems collect, process, and utilize personal information, thereby increasing uncertainty regarding digital privacy (Culnan & Armstrong, 1999; Dinev & Hart, 2006; Bleier & Eisenbeiss, 2015; Alhitmi et al., 2024).

Recent empirical research demonstrates that privacy concerns significantly influence consumer responses toward AI-enabled marketing practices. Cai et al. (2023) found that excessive intelligent personalization may trigger psychological contract violations, causing consumers to perceive that organizations have exceeded acceptable boundaries in collecting and exploiting personal information. This perception subsequently increases purchase resistance and reduces consumers' willingness to engage with

personalized marketing initiatives. Likewise, Saura et al. (2024) concluded that ethical issues related to data privacy, algorithmic transparency, accountability, and responsible AI governance have become dominant themes within contemporary digital marketing research. Mariani et al. (2023) further argued that consumer acceptance of AI depends not only on technological performance but also on perceptions of fairness, explainability, and responsible data management. These findings collectively suggest that privacy concerns extend beyond legal compliance and have become strategic determinants of customer trust, satisfaction, engagement, and long-term relationships. As AI technologies continue to evolve through predictive analytics and generative models, organizations face increasing pressure to balance personalization effectiveness with ethical data practices and transparent communication (Dwivedi et al., 2023; Riandhi et al., 2025).

Although the literature on privacy concerns has expanded considerably over the past decade, several important gaps remain. Existing studies frequently investigate privacy concern, trust, personalization, or purchase intention as isolated constructs rather than examining their interdependent relationships within a comprehensive conceptual framework. Furthermore, empirical findings remain inconsistent regarding the extent to which privacy concerns discourage consumers from accepting personalized services, with some studies reporting strong negative effects while others indicate that trust, perceived usefulness, or transparency can substantially mitigate privacy-related anxieties. These inconsistencies suggest that the consumer privacy paradox cannot be fully understood through a single theoretical perspective or individual behavioral variable. Instead, it requires an integrated understanding of how consumers simultaneously evaluate the benefits of personalization and the risks associated with personal data disclosure. Consequently, systematic literature reviews are essential for synthesizing fragmented empirical evidence, identifying dominant theoretical perspectives, mapping emerging research trends, and proposing future research directions capable of advancing knowledge regarding AI-driven marketing personalization, consumer privacy, trust, engagement, and purchase behavior in digital environments (Canhoto et al., 2024; Saura et al., 2024; Alhitmi et al., 2024; Teepapal et al., 2025).

2.3. Consumer Trust

Consumer trust has long been recognized as one of the most fundamental determinants of successful marketing relationships. Within digital environments, trust refers to consumers' willingness to become vulnerable to an organization's actions based on the expectation that the organization will act competently, honestly, ethically, and in the customers' best interests. The emergence of artificial intelligence has substantially altered the mechanisms through which trust is established because consumers increasingly interact with algorithms rather than human employees. Recommendation engines, intelligent virtual assistants, AI chatbots, and automated decision systems have become primary interfaces between firms and customers. Consequently, trust is no longer directed solely toward organizations or brands but also toward algorithmic systems that collect, process, and interpret personal information. Recent marketing literature therefore conceptualizes consumer trust as a multidimensional construct encompassing institutional trust, technological trust, and relational trust, all of which collectively influence consumers' willingness to accept AI-enabled personalized services (Morgan & Hunt, 1994; Gefen et al., 2003; Huang & Rust, 2021; Mariani et al., 2023).

From a theoretical perspective, trust functions as an uncertainty-reduction mechanism within technology-mediated exchanges. Consumers frequently experience uncertainty because AI systems operate through complex algorithms that are often invisible and difficult to understand. The absence of transparency regarding how personal information is collected, analyzed, and transformed into personalized recommendations may increase perceived risk and reduce consumers' confidence in digital platforms. Transparency, explainability, perceived fairness, and organizational accountability have therefore become essential antecedents of trust in AI-driven marketing. Recent studies indicate that consumers are more willing to disclose personal information when organizations clearly communicate their data collection practices, provide meaningful control over privacy settings, and demonstrate responsible AI governance. Accordingly,

trust develops not only from technological performance but also from consumers' perceptions of ethical organizational behavior and data stewardship (Martin & Murphy, 2017; Dwivedi et al., 2023; Alhitmi et al., 2024; Saura et al., 2024).

Empirical evidence consistently supports the significant role of trust in determining the effectiveness of AI-driven personalization. Teepapal et al. (2025) reported that consumer trust mediates the relationship between AI-enabled personalization and customer engagement, indicating that personalized services produce favorable behavioral outcomes only when consumers perceive AI systems as reliable and beneficial. Similarly, Ribeiro et al. (2025) found that generative AI enhances customer experience primarily through improvements in trust and perceived value rather than through technological sophistication alone. Gao et al. (2023) also demonstrated that personalized AI interactions increase customer satisfaction by strengthening trust in service quality and recommendation accuracy. Conversely, studies examining privacy concerns reveal that declining trust leads to reduced purchase intention, increased resistance toward personalized advertising, and stronger perceptions of algorithmic intrusion (Cai et al., 2023; Canhoto et al., 2024). Collectively, these findings confirm that trust operates as the central psychological mechanism linking technological innovation with consumer acceptance and subsequent behavioral responses.

Despite the extensive body of research on consumer trust, important conceptual and empirical gaps remain. Existing studies predominantly examine trust as a direct predictor of purchase intention or technology adoption, whereas relatively limited attention has been devoted to its integrative role within the broader relationship among AI-driven personalization, consumer privacy concerns, customer engagement, and purchase behavior. Furthermore, trust has been operationalized inconsistently across previous investigations, with some researchers emphasizing trust in technology, others focusing on trust in organizations, and still others examining trust in brands or digital platforms. These inconsistencies complicate theoretical integration and limit opportunities for cumulative knowledge development. Therefore, a systematic literature review is needed to synthesize these diverse conceptualizations, identify dominant theoretical perspectives, evaluate methodological trends, and develop a comprehensive framework explaining how consumer trust mediates or moderates the relationship between AI-enabled personalization and consumer behavioral outcomes. Such synthesis is expected to provide clearer theoretical guidance for future marketing research while supporting organizations in designing AI systems that are transparent, ethical, trustworthy, and capable of fostering sustainable customer relationships (Dwivedi et al., 2023; Mariani et al., 2023; Saura et al., 2024; Riandhi et al., 2025).

2.4. Customer Engagement and Purchase Behavior

Customer engagement has emerged as one of the most influential concepts in contemporary marketing because it reflects the depth of consumers' cognitive, emotional, and behavioral interactions with brands across digital platforms. Unlike traditional marketing outcomes that primarily emphasize customer satisfaction or purchase frequency, customer engagement captures a broader and more dynamic process through which consumers actively participate in value creation. Engagement may be expressed through searching for information, interacting with AI-powered applications, providing online reviews, sharing brand-related content, participating in virtual communities, and maintaining continuous communication with firms. In AI-driven marketing environments, personalized interactions generated through recommendation systems, intelligent chatbots, and predictive algorithms have substantially expanded opportunities for customer engagement by delivering timely, relevant, and individualized experiences. Consequently, customer engagement is increasingly viewed as a strategic outcome of successful AI implementation because it strengthens customer relationships and contributes to long-term organizational performance (Brodie et al., 2011; Hollebeek et al., 2014; Lemon & Verhoef, 2016; Kumar et al., 2019).

The development of AI technologies has significantly changed how customer engagement is created and maintained. Intelligent algorithms continuously analyze consumer behavior to identify preferences, anticipate future needs, and deliver highly relevant recommendations at appropriate moments. Such

personalized interactions reduce consumers' search efforts, improve decision efficiency, and create perceptions of convenience and usefulness. However, engagement generated through AI is not determined solely by technological sophistication. Consumers must perceive personalized interactions as valuable, transparent, and trustworthy before they become actively involved with brands. Recent empirical studies indicate that AI-driven personalization positively influences customer engagement through perceived usefulness, trust, and customer experience rather than through personalization alone. Ribeiro et al. (2025) demonstrated that generative AI enhances engagement by creating more meaningful customer interactions, while Teepapal et al. (2025) reported that trust significantly mediates the relationship between AI-enabled personalization and engagement. Similarly, Mariani et al. (2023) argued that responsible AI implementation strengthens customer engagement by balancing technological innovation with ethical data management and transparent communication.

Customer engagement is widely recognized as a significant antecedent of purchase behavior because engaged consumers tend to develop stronger emotional attachment, greater brand commitment, and higher purchase intentions. Purchase behavior encompasses consumers' decisions to acquire products or services following evaluations of perceived value, trust, product relevance, and previous consumption experiences. Within AI-driven marketing contexts, personalized recommendations may shorten decision-making processes by presenting products that closely match consumers' interests and needs. Nevertheless, the effectiveness of personalized marketing depends on consumers' willingness to accept AI-generated recommendations and their confidence in organizational data practices. Research by Gao et al. (2023) found that AI personalization positively influences purchase intention through enhanced customer experience and perceived service quality. Likewise, Canhoto et al. (2024) emphasized that consumers are more likely to translate engagement into purchasing decisions when personalization is accompanied by transparency, perceived fairness, and strong organizational trust. Conversely, elevated privacy concerns may interrupt this process by increasing skepticism toward algorithmic recommendations and reducing consumers' willingness to act upon personalized marketing messages (Cai et al., 2023; Saura et al., 2024).

Despite considerable progress in understanding customer engagement and purchase behavior, existing literature remains fragmented across multiple theoretical perspectives and empirical contexts. Many studies investigate customer engagement as an isolated marketing outcome, whereas others focus exclusively on purchase intention without adequately considering the underlying psychological mechanisms connecting AI-driven personalization, privacy concerns, trust, and behavioral responses. Furthermore, empirical findings differ across industries, technologies, cultural settings, and research methodologies, making it difficult to establish a comprehensive explanation of consumer behavior within AI-mediated marketing environments. These inconsistencies highlight the need for systematic synthesis capable of integrating previous findings into a unified conceptual framework. Such integration is expected to clarify how AI-driven personalization influences purchase behavior through sequential psychological processes involving privacy evaluation, consumer trust, and customer engagement. Consequently, this systematic literature review seeks to consolidate current knowledge, identify dominant theoretical patterns, reveal unresolved research gaps, and provide a stronger foundation for future empirical investigations examining AI-enabled marketing strategies and sustainable consumer relationships in the digital economy (Dwivedi et al., 2023; Mariani et al., 2023; Riandhi et al., 2025; Ribeiro et al., 2025).

III. Research Method

This study employed a qualitative research approach using a systematic literature review to examine the development of knowledge concerning AI-driven marketing personalization and the consumer privacy paradox. The qualitative literature review was selected because the study aimed to interpret, compare, and synthesize conceptual arguments and empirical findings rather than collect primary data from individual respondents. Through this approach, the researchers explored how artificial intelligence-based personalization has been conceptualized in marketing research, how consumers evaluate the benefits and

privacy risks associated with personalized services, and how trust, engagement, and purchase behavior have been explained across different research contexts. The review was conducted systematically to ensure that the selection, evaluation, and interpretation of relevant publications followed transparent and replicable procedures.

The literature search focused on peer-reviewed journal articles indexed in major academic databases, including Scopus, Web of Science, ScienceDirect, Emerald Insight, SpringerLink, and Google Scholar. The search covered studies published between 2020 and 2026 to capture recent developments in artificial intelligence, personalized marketing, digital privacy, and consumer behavior. Earlier foundational studies were included when they provided essential theoretical explanations of relationship marketing, privacy calculus, consumer trust, customer engagement, or technology acceptance. The search terms were developed by combining keywords such as “artificial intelligence,” “AI-driven personalization,” “personalized marketing,” “algorithmic recommendation,” “consumer privacy,” “privacy paradox,” “privacy concern,” “consumer trust,” “customer engagement,” “purchase intention,” and “purchase behavior.” Boolean operators, including AND and OR, were used to broaden or narrow the search results according to the focus of the study.

The selection process followed four stages: identification, screening, eligibility assessment, and final inclusion. During the identification stage, potentially relevant publications were collected from the selected databases. Duplicate records were subsequently removed. In the screening stage, titles, abstracts, and keywords were examined to determine whether the studies addressed AI applications in marketing personalization and consumer responses. Articles were excluded when they focused exclusively on technical algorithm development, organizational automation, medical AI, or other topics unrelated to marketing and consumer behavior. During the eligibility stage, the full texts were reviewed based on predetermined inclusion criteria. Eligible studies had to be published in peer-reviewed journals, written in English or Indonesian, available in full text, and directly related to at least one of the central concepts examined in this review. Conference abstracts, editorials, book reviews, nonacademic articles, and studies lacking adequate methodological information were excluded.

Data from the selected studies were organized in a review matrix containing the authors, publication year, research objectives, theoretical foundations, research contexts, methods, variables or central themes, principal findings, and identified limitations. The collected data were analyzed using qualitative thematic analysis. The researchers initially read each article repeatedly to understand its main arguments and findings. Relevant information was then coded and grouped into recurring themes, including AI-driven personalization, perceived relevance and usefulness, consumer privacy concerns, transparency, perceived control, consumer trust, customer engagement, and purchase behavior. Relationships among these themes were compared across studies to identify convergent findings, contradictory evidence, and underexplored issues. To strengthen the credibility of the review, the researchers applied consistent inclusion criteria, maintained a transparent record of the search and screening process, and compared findings from multiple academic databases. The interpretation did not rely on the results of a single study but was based on patterns emerging across the selected literature. The final synthesis was presented narratively to explain how personalization benefits and privacy risks interact in shaping consumer trust, engagement, and purchasing responses. This procedure also enabled the study to identify theoretical gaps and propose an integrative conceptual framework and future research propositions concerning ethical, transparent, and consumer-centered AI marketing practices.

IV. Result and Discussion

4.1. Results and Discussion

The thematic synthesis indicates that research on AI-driven marketing personalization is organized around a central tension. Artificial intelligence creates consumer value by increasing relevance, convenience, responsiveness, and decision efficiency, but the production of these benefits depends on extensive access to

personal and behavioral data. The literature therefore does not support a uniformly positive or negative interpretation of AI personalization. Its consequences depend on how consumers evaluate the usefulness of personalized outputs, the legitimacy of data collection, the transparency of algorithmic processes, and the trustworthiness of the organization implementing the technology. Across the studies reviewed, four interconnected themes emerged: the transformation of personalization into an adaptive marketing capability, the persistence of the personalization–privacy paradox, the mediating and calibrating role of trust, and the translation of personalized experiences into engagement and purchase behavior. These themes are discussed below alongside their theoretical implications, managerial relevance, and directions for continuing research.

4.2. AI-Driven Personalization as a Value-Creating but Conditional Marketing Capability

The reviewed literature shows that AI-driven personalization has developed beyond conventional market segmentation and rule-based recommendation. Contemporary systems use machine learning, predictive analytics, natural language processing, generative models, and real-time behavioral data to continuously modify customer interactions. This development enables firms to individualize product recommendations, promotional messages, service responses, prices, timing, channel selection, and digital content. Gao et al. (2023) describe AI-enabled personalization as an interactive marketing capability through which information accumulated from previous customer interactions is transformed into more relevant subsequent experiences. Abrokwah-Larbi and Awuku-Larbi (2023) similarly explain that generative AI, deep learning, and smart-data applications extend organizational capacity to create individualized experiences at scale. AI personalization should therefore be understood not merely as an advertising technique, but as an adaptive customer-management capability connecting data, prediction, communication, and service delivery.

A dominant positive finding is that personalization improves consumer evaluations when it reduces information overload and makes decision processes more efficient. Consumers benefit when algorithms identify relevant alternatives from extensive product assortments, provide timely suggestions, and reduce the cognitive effort needed to compare options. An et al. (2025) found that perceived personalization influenced purchase intention through perceived relevance, usefulness, and trust. This result is important because it demonstrates that personalization itself is not the final source of value. Value emerges from consumers' interpretation of whether the recommendation fits their needs and supports their goals. Teepapal et al. (2025) similarly found that AI-enabled personalization increased perceived usefulness and trust, although it did not directly produce stronger engagement. Together, these studies indicate that technological precision must be converted into subjectively recognized value before it can influence behavior.

The synthesis also reveals that personalization outcomes are nonlinear and context dependent. Increased personalization can initially enhance utility because recommendations become more accurate and relevant. Beyond a certain point, however, consumers may begin to question how the system obtained such detailed knowledge. Sun et al. (2025) describe an inverted U-shaped relationship in which moderate personalization may generate favorable responses, whereas excessive personalization increases avoidance motivation and perceived threat. Hardcastle et al. (2025) likewise show that consumers expect relevant AI-driven content but may respond negatively when automated personalization becomes intrusive or appears to restrict their autonomy. The implication is that “more personalized” does not necessarily mean “more effective.” The optimal level depends on the sensitivity of the data, the intimacy of the product category, prior customer relationships, consumer familiarity with AI, and the visibility of organizational safeguards.

The literature further suggests that the effects of personalization differ among industries and digital touchpoints. In e-commerce, personalization is frequently associated with recommendation quality, satisfaction, loyalty, and purchase intention. Hassan et al. (2025) found that personalized recommendations altered the relationships among trust, satisfaction, and loyalty in AI-driven e-commerce. Chau et al. (2025) showed that human–AI interaction influenced satisfaction, continued use, and purchase intention in an emerging e-commerce market. In online travel services, Lim et al. (2025) found that the effects of AI

personalization on trust and future engagement were shaped by ethical concerns, including perceived discrimination and privacy. In fashion, Qi et al. (2025) reported that both functional and emotional attributes of generative AI assistants contributed to satisfaction and continuance intention. These results demonstrate that personalization operates through different mechanisms depending on whether consumers are purchasing routine goods, high-involvement services, identity-related products, or experiential offerings.

These findings extend relationship-marketing theory by showing that AI can continuously adapt firm–consumer exchanges rather than merely support isolated transactions. Nevertheless, the literature also qualifies technology-centered assumptions. AI does not independently create relationships; it creates informational conditions from which relationships may develop. Relationship quality still depends on consumers' perceptions of fairness, authenticity, responsiveness, and benevolence. Ribeiro et al. (2025) emphasize that AI is reshaping brand–consumer relationships through the speed and scale of data processing, while simultaneously producing concerns related to ethics, security, and privacy. Riandhi et al. (2025), in their synthesis of AI and consumer-behavior research, likewise identify trust, behavioral intention, engagement, and privacy as recurring constructs. The field is therefore moving from questions about whether AI improves marketing performance toward more conditional questions about when, how, and for whom AI personalization creates sustainable value.

Continuing research should investigate the boundaries of effective personalization rather than assuming linear benefits. Longitudinal designs are needed to determine whether repeated exposure improves familiarity or produces personalization fatigue. Experimental research could manipulate personalization intensity, explanation depth, data sensitivity, and consumer control to identify threshold effects. Cross-cultural studies are also required because consumers' willingness to disclose information and tolerate algorithmic inference may vary according to institutional trust, privacy norms, and digital literacy. Future scholarship should additionally distinguish between reactive personalization, which responds to observed behavior, and predictive personalization, which anticipates needs that consumers have not explicitly expressed. This distinction is theoretically important because predictive inference may increase convenience while simultaneously generating stronger perceptions of surveillance. Sustainable AI personalization will therefore require an equilibrium between predictive accuracy, consumer autonomy, and responsible data minimization.

4.3. The Consumer Privacy Paradox as a Dynamic Evaluation of Benefit, Risk, and Control

The second major result is that the consumer privacy paradox remains central to understanding responses to AI marketing. The paradox refers to the inconsistency between consumers' stated concern for privacy and their continued disclosure of personal information or use of data-intensive services. In AI-enabled marketing, this tension becomes particularly visible because personalized recommendations depend on browsing records, transaction histories, location data, interaction patterns, inferred preferences, and sometimes sensitive personal characteristics. Consumers may appreciate the convenience generated by these data while remaining uncertain about the legitimacy and future consequences of their collection. Canhoto et al. (2024) show that AI-enabled personalization can create value for retail customers but can also provoke resistance when data collection is perceived as excessively invasive. The personalization–privacy paradox is therefore not an incidental problem surrounding AI adoption; it is embedded in the basic value-production mechanism of personalized marketing. The reviewed studies generally support a privacy-calculus interpretation. Consumers appear to compare anticipated benefits, such as relevance, convenience, discounts, reduced search time, and service continuity, with perceived costs, including surveillance, misuse, unauthorized sharing, discrimination, and loss of control. However, the evidence indicates that this calculation is not perfectly rational or stable. Consumers often lack adequate knowledge of how algorithms infer preferences, combine data sources, and predict future behavior. Consequently, their decisions are influenced by heuristics, previous experiences, brand reputation, social norms, default settings, and the immediacy of the offered benefit. Alhitmi et al. (2024) argue that security and privacy concerns in AI-driven marketing require

technical, ethical, and governance remedies. Saura et al. (2024) similarly identify privacy, transparency, accountability, and responsible data use as central ethical challenges within AI-based digital marketing.

A further pattern concerns the psychological boundary between acceptable personalization and perceived intrusion. Consumers do not necessarily reject data collection itself. They are more likely to reject practices that appear disproportionate, unexpected, hidden, or unrelated to the immediate service. Cai et al. (2023) found that intelligent personalization and privacy concerns can produce purchase resistance through psychological contract violation. This mechanism occurs when consumers believe that a company has exceeded an implicit boundary governing the appropriate use of their information. The finding adds relational depth to privacy-calculus explanations. Consumer resistance is not only caused by a calculation that risks exceed benefits; it can also result from a perception that the organization has violated expectations of fairness and respect. Privacy is thus connected to moral judgment and relationship quality, not solely to information security.

The literature also indicates that privacy concern does not always directly suppress engagement or purchasing. Teepapal et al. (2025) found that personalization increased privacy concern, but privacy concern did not significantly reduce engagement in their model. This result illustrates the paradox: consumers may recognize privacy risks while continuing to interact because they perceive substantial usefulness or trust the service provider. Salih et al. (2025) similarly demonstrate that perceived privacy risk may operate as a moderator of relationships shaping engagement and continuance intention rather than as a simple direct barrier. Privacy concern should therefore not automatically be interpreted as withdrawal. Depending on the context, it may produce cautious use, selective disclosure, privacy-protective behavior, demand for explanation, or conditional acceptance. Transparency and perceived control repeatedly emerge as mechanisms capable of reducing the negative consequences of privacy concern. Consumers are more likely to accept personalization when they understand what information is collected, why it is required, how it affects recommendations, and how they can modify or withdraw consent. Magrizos et al. (2025) show that privacy-policy visualization and different levels of transparency can affect brand trust, suggesting that the presentation of information matters alongside its formal completeness. Rahman et al. (2025) further report that transparency and privacy assurance help explain how ethical AI personalization influences trust and purchase intention. These results imply that lengthy legal notices are insufficient. Effective transparency must be understandable, timely, contextual, and actionable.

From a managerial perspective, the findings challenge the practice of maximizing data extraction simply because technical and legal infrastructures permit it. Sustainable personalization requires data proportionality, clear consent, explainable recommendations, accessible preference controls, and safeguards against discriminatory outcomes. Firms should treat privacy protection as part of customer value rather than as a compliance cost. A privacy-respecting platform can reduce perceived vulnerability, strengthen trust, and differentiate itself in markets where consumers increasingly question automated profiling. Ethical AI governance should therefore be integrated into marketing strategy, customer-experience design, and brand positioning. Future research should conceptualize the privacy paradox as dynamic rather than static. Consumer evaluations may change after data breaches, regulatory changes, media coverage, or repeated interactions with an AI system. Diary studies, longitudinal panels, and behavioral data could reveal how privacy attitudes and actual disclosure evolve over time. Research should also examine privacy resignation, in which consumers continue using services not because risks are acceptable, but because they perceive few realistic alternatives. Additional studies are needed on vulnerable populations, including older consumers, children, consumers with limited digital literacy, and users in emerging economies.

4.4. Consumer Trust as the Central Mechanism Reconciling Personalization and Privacy

The third theme identifies trust as the principal mechanism through which consumers reconcile the benefits of personalization with the risks of data disclosure. Trust reduces uncertainty by enabling consumers

to accept vulnerability based on expectations that a firm and its technologies will behave competently, predictably, and responsibly. In AI-mediated marketing, trust has multiple targets. Consumers may trust the brand, the platform, the algorithm, the recommendation, or the institutional safeguards governing data use. These forms of trust are related but not identical. A consumer may trust a retailer's reputation while distrusting its automated recommendation system, or may consider an algorithm accurate while doubting the company's motives for collecting information. Treating trust as a single undifferentiated construct can therefore obscure how acceptance is actually formed. The reviewed empirical evidence consistently positions trust between personalization and behavioral outcomes. Teepapal et al. (2025) found that AI personalization positively influenced trust and that trust subsequently strengthened engagement. An et al. (2025) likewise identified perceived trust as one of the mechanisms through which personalized advertising increased purchase intention. Saxena et al. (2024) showed that trust and privacy concerns mediated relationships between web-assurance mechanisms and online purchase intention. These findings jointly indicate that consumers do not simply respond to the technical presence of personalization. They evaluate whether the system and the organization deserve reliance.

Trust formation depends partly on performance. Accurate recommendations, dependable service, responsive interaction, and consistent outcomes signal technological competence. Hassan et al. (2025) demonstrate that trust, satisfaction, and loyalty are interconnected in AI-driven e-commerce and that personalized recommendations shape these relationships. Chau et al. (2025) likewise associate human–AI interaction with satisfaction, continued use, and purchase intentions. However, performance alone is insufficient because a technically accurate system may still be regarded as manipulative or unethical. Trust also requires benevolence, integrity, fairness, and accountability. O'Higgins et al. (2025) emphasize transparency, stronger privacy protection, and ethical AI governance as practical foundations for consumer trust in AI personalization. Explainability is increasingly relevant because opaque recommendations make it difficult for consumers to evaluate system intentions and reliability. A brief explanation of why an item has been recommended may increase perceived relevance and provide a sense of procedural fairness. Nevertheless, explanations must be calibrated carefully. Highly technical explanations may overwhelm users, whereas superficial explanations may be interpreted as symbolic rather than meaningful transparency. The objective should not be to expose every technical feature of an algorithm, but to provide information that allows consumers to understand the basis of a recommendation, recognize the data involved, and exercise meaningful control. The emerging literature on responsible personalization therefore links trust to explainability, consent, data governance, and consumer empowerment rather than viewing it as a passive attitudinal response.

Recent qualitative evidence further suggests that trust is calibrated rather than simply present or absent. Research on trust and the personalization–privacy paradox in AI-enabled e-commerce identifies affective orientations, stereotypical cognition, trust aversion, and trust calibration as interlocking mechanisms shaping consumer responses. This perspective implies that consumers continually revise trust based on system behavior, external information, personal experience, and perceived consequences. Trust may rise after accurate recommendations and decline abruptly after an unexpected inference or privacy incident. It may also be domain specific. A consumer may accept AI recommendations for books or entertainment but reject similar inference in financial, health, or intimate product categories. The results support an integrative process in which personalization influences trust through perceived usefulness, relevance, accuracy, transparency, and fairness, while privacy concern weakens or conditions trust through perceived risk, intrusiveness, and loss of control. Trust then affects engagement, purchase intention, continuance, and loyalty. This configuration explains why previous studies sometimes produce inconsistent direct effects. When trust and other psychological mechanisms are omitted, the relationship between personalization and behavior may appear weak or unstable. Trust is therefore both a mediator of value creation and a protective resource that helps consumers tolerate uncertainty. Nevertheless, it should not be used to normalize irresponsible data practices. Trust built through brand reputation can be rapidly undermined if consumers discover that an organization has concealed data use or manipulated consent.

Future studies should distinguish among trust in the firm, trust in the AI system, trust in the recommendation, and trust in the regulatory environment. Multilevel models could examine how these targets interact. Longitudinal research should investigate trust repair after algorithmic errors, discriminatory outcomes, or privacy breaches. Experimental studies could compare human explanations, AI-generated explanations, third-party certifications, provenance indicators, and privacy dashboards. Cross-cultural research is also essential because institutional trust and expectations of corporate responsibility differ across jurisdictions. Finally, scholars should examine overtrust, in which consumers rely excessively on persuasive or anthropomorphic AI. Sustainable AI marketing requires appropriately calibrated trust, meaning confidence proportional to the system's actual competence, accountability, and ethical safeguards.

4.5. From Trust and Engagement to Purchase Behavior: An Integrated Framework and Future Research Agenda

The fourth theme concerns the process through which personalized AI experiences are translated into customer engagement and purchase behavior. Engagement is broader than immediate purchasing because it includes cognitive attention, emotional involvement, interaction, content sharing, feedback, continued use, and participation in brand-related activities. AI can stimulate these responses by increasing the relevance, timeliness, and interactivity of customer experiences. Generative assistants and conversational agents can maintain continuous dialogue, while recommendation systems can invite exploration and reduce search costs. Research on AI in social-media marketing similarly finds that AI strengthens targeting, personalization, engagement, and campaign effectiveness, although these benefits remain accompanied by concerns about privacy, trust, and ethical use. The evidence indicates that engagement is not an automatic consequence of personalization. Teepapal et al. (2025) found no significant direct effect of AI-enabled personalization on engagement, although trust and perceived usefulness positively affected engagement. This suggests a mediated process: personalization first needs to be interpreted as valuable and trustworthy. Salih et al. (2025) similarly found that performance expectancy, hedonic motivation, social influence, perceived accuracy, and innovativeness contributed to engagement and continuance intentions. Thus, engagement emerges from a combination of functional value, emotional appeal, social influence, and risk evaluation. A technically personalized interaction may fail if it appears repetitive, inaccurate, manipulative, or disconnected from the consumer's immediate goals.

Purchase behavior represents a later outcome in this process. AI personalization can improve purchase intention by presenting relevant products, simplifying comparison, reducing uncertainty, and increasing confidence that an offering matches consumer preferences. An et al. (2025) show that perceived relevance, usefulness, and trust explain how AI-powered personalized advertising affects purchase intention. Hoang et al. (2026) similarly examine personalized social-media advertising in relation to engagement, privacy, satisfaction, and purchase intention. Alam et al. (2026) identify trust in AI, personalization, promotions, and prior buying history as predictors of perceived AI-advertising effectiveness and impulse buying. These studies suggest that AI can influence both deliberative and impulsive purchasing, although the mechanisms may differ. Deliberative purchase is more likely to depend on usefulness, diagnosticity, and risk reduction, whereas impulse buying may depend on immediacy, emotional stimulation, scarcity cues, and reduced decision friction. The literature nevertheless warns against equating increased conversion with sustainable marketing performance. Aggressive personalization may generate short-term clicks or purchases while reducing long-term trust, perceived autonomy, or brand attachment. Turki et al. (2025) emphasize that algorithmic personalization creates both commercial opportunities and governance challenges. Rahman et al. (2025) likewise show that ethical mechanisms, particularly transparency and privacy assurance, are important in explaining trust and purchase intention. Marketing effectiveness should therefore be evaluated through a broader set of outcomes, including satisfaction, repeat purchase, loyalty, complaint behavior, avoidance, data-withholding behavior, and willingness to maintain the relationship.

An integrated interpretation of the reviewed findings can be expressed as a conditional sequence. AI-driven personalization improves perceived relevance, usefulness, convenience, and experience quality. These benefits can strengthen trust when data practices are viewed as transparent, fair, secure, and proportionate. Trust then promotes engagement by reducing uncertainty and increasing willingness to interact. Engagement can subsequently contribute to purchase intention, purchase behavior, continuance, advocacy, and loyalty. Privacy concern, perceived intrusiveness, algorithmic discrimination, and loss of control can disrupt the sequence at several points. They may reduce trust, weaken engagement, produce purchase resistance, or transform active participation into cautious and transactional use. Ethical AI practices and consumer empowerment may moderate these negative pathways by restoring legitimacy and control. This integrated framework provides several directions for future research. First, studies should test sequential mediation models linking personalization to purchase outcomes through perceived relevance, trust, and engagement. Second, privacy concern should be examined as both a direct antecedent and a moderator, because its role may differ by context. Third, researchers should incorporate nonlinear effects to determine when personalization shifts from useful to intrusive. Fourth, greater attention should be given to actual purchasing and behavioral data rather than relying exclusively on self-reported intentions. Fifth, comparative studies should examine product sensitivity, purchase involvement, platform type, age, AI literacy, and cultural orientation as boundary conditions.

Future research should also respond to the rapid emergence of generative and agentic AI. Generative systems do not merely select existing content; they create personalized messages, images, recommendations, and conversational responses. Agentic systems may progress further by searching, comparing, negotiating, and purchasing on behalf of consumers. These developments raise new questions about disclosure, authorship, persuasion, autonomy, and responsibility. Research is needed to determine whether consumers respond differently to content known to be AI generated, whether provenance labels improve trust, and who is accountable when an autonomous marketing agent makes an unsuitable or discriminatory decision. Studies should also examine whether highly humanlike AI increases relational engagement or encourages inappropriate disclosure and overreliance. The sustainability of AI-driven marketing ultimately depends on whether firms can align technological capability with consumer welfare. Sustainable personalization does not refer only to environmental sustainability; it also involves maintaining durable customer relationships, protecting informational autonomy, avoiding discriminatory profiling, and ensuring that algorithmic systems create reciprocal value. Firms should adopt privacy-by-design, data minimization, explainable recommendation practices, human oversight, bias assessment, and accessible mechanisms for correction and appeal. Marketing scholars should correspondingly broaden performance measurement to include consumer vulnerability, fairness, autonomy, and long-term trust.

V. Conclusion

This systematic literature review concludes that AI-driven marketing personalization creates substantial opportunities for firms to improve the relevance, convenience, responsiveness, and efficiency of customer interactions. However, these benefits are inseparable from the consumer privacy paradox because personalized services rely on extensive collection and analysis of personal and behavioral data. The reviewed literature indicates that personalization does not automatically generate customer engagement or purchase behavior. Its effectiveness depends on whether consumers perceive personalized recommendations as useful, relevant, transparent, fair, and proportionate to the information disclosed. When personalization exceeds consumers' expectations regarding acceptable data use, it may produce perceived intrusiveness, psychological contract violation, resistance, and avoidance. Trust therefore occupies a central position in the personalization–privacy relationship. It enables consumers to accept uncertainty and vulnerability when they believe that firms and AI systems are competent, responsible, and ethically governed. Engagement subsequently functions as an important bridge between favorable evaluations of AI personalization and

purchase-related outcomes, including purchase intention, actual purchasing, continuance, loyalty, and advocacy.

Theoretically, this review contributes to marketing and consumer-behavior literature by integrating AI-driven personalization, privacy calculus, consumer trust, customer engagement, and purchase behavior into a unified explanatory framework. The synthesis extends traditional personalization research by demonstrating that the effect of AI is conditional rather than uniformly positive. Perceived usefulness and relevance represent value-creation mechanisms, whereas privacy concern, perceived intrusiveness, and loss of control represent risk-creation mechanisms. Trust reconciles these opposing evaluations and explains why consumers may continue interacting with personalized platforms despite expressing privacy concerns. The review also indicates that engagement should not be treated merely as a direct outcome of personalization, but as a relational response that develops after consumers evaluate the system's usefulness, credibility, transparency, and fairness. Future studies should therefore examine sequential mediation, moderation, nonlinear relationships, and differences across industries, cultures, product categories, and consumer characteristics. Longitudinal, experimental, qualitative, and behavioral-data studies are particularly needed to explain how privacy perceptions and trust change over time. The rapid emergence of generative and agentic AI also requires further examination of algorithmic authorship, autonomy, accountability, overtrust, and the ethical limits of predictive personalization.

Managerially, the findings suggest that firms should avoid treating maximum data collection and personalization intensity as indicators of superior marketing performance. Sustainable personalization requires an appropriate balance between commercial relevance and consumer autonomy. Organizations should adopt privacy-by-design, data minimization, transparent consent procedures, explainable recommendations, accessible privacy controls, secure data governance, bias assessment, and meaningful human oversight. Transparency should be presented in understandable and contextual forms rather than through lengthy legal statements that consumers are unlikely to read. Managers should also monitor whether personalization creates discomfort, fatigue, or perceptions of manipulation, particularly in sensitive product and service categories. Marketing performance should consequently be evaluated through long-term indicators such as trust, satisfaction, retention, loyalty, complaint behavior, and willingness to share information, rather than through conversion rates alone. By positioning ethical data practices as part of the customer value proposition, firms can strengthen brand legitimacy, reduce resistance, and cultivate durable customer relationships. Ultimately, the strategic value of AI-driven marketing will depend not only on its ability to predict consumer behavior, but also on its capacity to deliver personalization that remains useful, fair, transparent, controllable, and worthy of consumer trust.

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