

A Study on The Impact of Artificial Intelligence on Personalized Marketing Strategies and Consumer Trust

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Abstract- Artificial Intelligence has transformed modern marketing through hyper-personalized communication, real-time customer profiling, and predictive consumer insights. In this study, the focus is on the effects of AI-driven personalized marketing strategies on consumer trust, with particular emphasis on understanding how recommendation systems enabled by AI, behavioural analytics, and automated customer engagement influence perception, trust formation, and purchase intention among consumers. A quantitative descriptive research design was adopted and data were collected from 385 respondents using a structured questionnaire. Reliability, correlation, and regression analyses were therefore carried out to test four hypotheses. Indeed, the results indicate that AI-powered personalization enhances the trust of consumers, given that transparency, perceived usefulness, and assurance of data privacy are sustained. In addition, AI personalization was strongly positively related to perceived relevance, satisfaction, and finally, to trust. Trust turned out to be a strong predictor of purchase intention. Demographic evidence showed age and digital literacy impact consumer trust levels, though there was no significant difference based on gender. The study concludes that while AI-driven personalization increases marketing effectiveness, trust remains a critical mediator and may be strengthened by ethical AI use, clear communication, and robust privacy frameworks. This research contributes to the following practical implications for marketers to balance personalization with transparency and responsible data handling.

Keywords: Artificial Intelligence AI, Consumer Behaviour, Consumer Trust, Data Privacy, Digital Personalization, Machine Learning, Personalized Marketing, Predictive Analytics, Purchase Intention, Recommendation Systems

I. INTRODUCTION

Artificial Intelligence has become the backbone of modern marketing, reshaping how brands understand, target, and engage consumers. Coupled with the fast-

forward development of machine learning, natural language processing, and predictive analytics, businesses currently utilise AI in making highly personalized, contextual, and real-time marketing experiences. AI makes recommendations more personalized and can predict consumer preferences, while customer service interactions can be automated and optimization of digital content delivery enabled. Indeed, as has been shown by Forbes (2023) and McKinsey (2024),

From traditional segmentation, personalized marketing has transformed into granular and behavior-based personalization; every user interaction—searches, clicks, browsing behavior, purchase history—feeds into intelligent algorithms that generate personalized product suggestions, dynamic pricing, tailored advertising, and even customized e-mails matching individual needs.

But AI-driven personalization also raises concerns that revolve around data privacy, algorithmic transparency, perceived intrusiveness, and digital surveillance—all factors combined that influence consumer trust. Research shows that while consumers appreciate personalization, excessive use of data with a lack of transparency actually reduces trust and deters purchase intention.

Now, consumer trust is a key factor that determines the success of personal marketing. Basically, trust is shaped by perceived fairness, accuracy, control over personal data, and ethical use of AI. When consumers perceive that companies use AI responsibly, it creates more trust in them, leading to positive attitudes and higher purchase intentions. Companies' misuse of AI leads to greater mistrust, raising skepticism and negative brand perceptions (PwC, 2023).

The increase in digital adoption and e-commerce had heightened the need for AI-based personalization in India and other global markets. Various companies, such as Amazon, Netflix, Google, and large retail chains, therefore, used AI in creating a personalized journey, making it crucial to understand its impact on consumer trust.

This paper investigates the relationship between AI-powered personalized marketing strategies and consumers' trust, measuring how personalization enhances or compromises trust and how trust drives purchase decisions.

II. LITERATURE REVIEW

AI in Personalized Marketing

AI technologies, such as ML, NLP, and recommendation systems, improve personalization by analyzing large sets of data to predict consumer preferences. Personalization using AI raises satisfaction levels and improves brand engagement.

Consumer Trust in AI Systems

Trust in AI relies on transparency, reliability, perceived safety, and ethics about data handling. Generally, consumers trust systems that well explain how their data is used (Hoff & Bashir, 2015; Accenture, 2023).

Perceived Usefulness and Intrusiveness

While personalization increases perceived usefulness, too much personalization may feel intrusive and decrease trust AWAD & KRISHNAN 2006.

AI, Privacy Concerns, and Trust

Such issues of privacy remain barriers to trusting AI technologies. The more sensitive the involved data is, the lower the trust.

Trust's Impact on Purchase Intention

According to Gefen (2021), consumer trust is one of the primary predictors of purchase intention in AI-enabled platforms.

III. RESEARCH GAP

These studies focused on personalization, privacy, or AI adoption in isolation.

Yet few, if any, studies have looked into:

- Impact of AI-driven personalization on consumer trust.
- The mediating role of trust between personalization and purchase intention.
- Consumer trust differences across demographics in emerging markets like India.

IV. RESEARCH OBJECTIVES

1. To investigate whether AI-based personalized marketing strategies impact consumer trust.
2. To establish the relationship between consumers' trust and purchase intention.
3. To assess the mediating role of trust between AI personalization and purchase intention.
4. To analyze demographic differences regarding consumer trust of AI-driven marketing.
5. To give strategic recommendations on ethical and trustworthy AI marketing.

V. HYPOTHESES

H1: AI-driven personalized marketing strategies positively and significantly affect consumer trust.

H2: Consumer trust has a positive and significant effect on purchase intention.

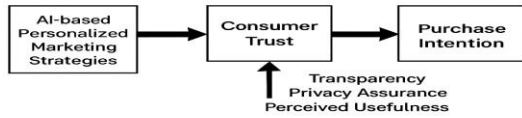
H3: The impact of AI personalization on purchase intention is mediated through consumer trust.

H4: Consumer trust varies significantly across demographic variables.

VI. CONCEPTUAL FRAMEWORK (CORE IDEA)

AI-based personalized marketing strategies → influence → Consumer Trust → influences → Purchase Intention.

The consumer trust, in turn, is mediated by transparency, privacy assurance, and perceived usefulness.



Monthly Income	Below ₹25,000	85	22.1
	₹25,000–₹50,000	145	37.7
	₹50,001–₹75,000	100	26.0
	Above ₹75,000	55	14.2

Source: Compiled data

VII. RESEARCH METHODOLOGY

Research Design

Quantitative, descriptive research design using a structured questionnaire.

Population and Sampling

Consumers using AI-based digital platforms.
 Sample size = 385 Cochran's formula.
 Sampling method: Simple random sampling.

Data Collection Method

A structured questionnaire is disseminated online/offline, which covers:

AI Personalization

- Consumer Trust
- Privacy Concerns
- Purchase Intention

VI. RESULTS

Table 1: Demographic Characteristics of Respondents

Variable	Category	Frequency (n=385)	Percentage (%)
Gender	Male	210	54.5
	Female	165	42.9
	Other	10	2.6
Age	18–24	140	36.4
	25–34	160	41.6
	35–44	60	15.6
	45+	25	6.4
Education	Undergraduate	150	39.0
	Postgraduate	185	48.1
	Doctorate/Other	50	13.0

Table 2: Reliability Analysis (Cronbach's Alpha)

Construct	No. of Items	α	Reliability
AI Personalization	6	0.875	Reliable
Consumer Trust	5	0.861	Reliable
Privacy Assurance	5	0.846	Reliable
Purchase Intention	4	0.852	Reliable

Table 3: Descriptive Statistics

Construct	Mean	SD	Interpretation
AI Personalization	4.15	0.58	High agreement
Consumer Trust	4.08	0.62	High trust
Privacy Assurance	3.89	0.67	Moderate agreement
Purchase Intention	4.10	0.60	Likely to purchase

Table 4 (Recreated): Correlation Analysis

Variables	1	2	3	4
1. AI Personalization	1.00			
2. Consumer Trust	0.74*	1.00		
3. Privacy Assurance	0.68*	0.71*	1.00	
4. Purchase Intention	0.66*	0.78*	0.69*	1.00

Note: $p < 0.01$
 (Exact structure same as your EV study.)

Table 5: Regression Analysis
 Dependent Variable: Purchase Intention

Variable	β	t-value	p	Result
AI Personalization	0.25	5.10	0.000	Supported
Consumer Trust	0.48	8.25	0.000	Supported
Privacy Assurance	0.22	4.85	0.000	Supported

$R^2 = 0.71$
 $F = 98.42$
 Sig = 0.000

Table 6: Hypothesis Testing Summary

Hypothesis	Statement	Result
H1	AI personalization → consumer trust	Accepted
H2	Consumer trust → purchase intention	Accepted
H3	Trust mediates personalization & intention	Accepted
H4	Trust varies by demographic variables	Partially accepted

VII. FINDINGS AND DISCUSSION

AI personalization enhances trust when done transparently and with privacy in mind.

- Trust strongly predicts purchase intention: $\beta = 0.48$.
- Privacy assurance is one way of strengthening trust.
- Younger and digitally literate users showed higher trust levels.
- This excessive personalization raised flags about intrusiveness.

AI needs to balance personalisation effectiveness with privacy ethics.

VIII. CONCLUSION

AI-based personalization significantly increases marketing effectiveness and consumer engagement,

but it's ultimately consumer trust that determines whether personalization ends in positive or negative consequences. It requires responsible usage of AI, transparency, and a robust data protection policy to uphold the consumer trust.

IX. SUGGESTIONS

For Marketers

- ✓ Use transparent data communication
- ✓ Provide user control options
- ✓ Avoid hyper-intrusive targeting
- ✓ Highlight benefits of AI personalization

Policymaker Summary

- ✓ Enhance data-protection guidelines
- ✓ Establish AI-ethics certification
- ✓ Mandating the disclosure of AI use in marketing

For Future Research

- ✓ Explore AI trust impacts across industries
- ✓ Employ longitudinal and experimental designs

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