

Consumer Perception Of Ai-Based Personalization In Digital Marketing

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ABSTRACT

Due to the quick advancement of digital technology, artificial intelligence (AI) has emerged as a crucial instrument in changing how companies engage with customers. The effect of AI-driven personalization on consumer perception in digital marketing is the main objective of this study. Data from 100 respondents in Palakkad was gathered using a structured questionnaire as part of the study. Statistical methods such percentage analysis, chi-square test, scaling technique, and Garratt ranking test were used for data analysis. Findings suggest that AI personalization boosts customer interaction and loyalty. The study concludes that for marketers to improve AI-based approaches for stronger customer connections and company expansion, the research offers insights..

Keywords: Digital marketing, consumer perception, customer experience, personalized marketing, consumer engagement, privacy concerns, AI-driven personalization, etc..

1. INTRODUCTION:

Artificial intelligence (AI) has become an essential component of the modern, fast-paced, and competitive digital landscape. a vital tool for marketers aiming to boost the consumer experience and increase company results. Personalization, which is one of the most effective applications of AI in digital marketing, allows for the tailoring of messages to individual customers. describes the practice of providing unique material, suggestions, and advertisements to specific users according to their needs. regarding their choices, actions, and relationships. Businesses may use this degree of personalization to engage consumers in a more meaningful and relevant way, which improves engagement, conversion rates, and customer happiness. By utilizing cutting-edge technologies like machine learning, predictive analytics, and natural language processing to analyze massive volumes of data, AI-driven personalization leverages these technologies. With this, marketers can anticipate client needs, suggest items, send customized emails, and even automate customer interactions using chatbots and virtual assistants. Consequently, consumers are exposed to marketing material that is more in line with their interests and purchasing behaviors, which frequently improves their entire digital experience.

The growing usage of AI in personalization, however, brings up critical issues about how consumers view these endeavors. Although some customers value the convenience and relevance of tailored experiences,

others are worried. regarding the scope of data collection, possible privacy violations, and the sense of always being watched subject to observation or intervention. Consumer confidence and openness to interact with companies that depend significantly on AI technologies may be negatively affected by these worries.

For marketers, it is thus essential to comprehend how consumers see AI-driven personalization. It aids in determining if personalization tactics are being received favorably or unfavorably, and Consumer opinions are influenced by a number of factors, including perceived usefulness, trustworthiness, relevance, and intrusiveness. Furthermore, it offers useful guidance on how to create and put personalization into practice while maintaining consumer limits and providing value.

The goal of this research is to examine how consumers view digital marketing through the lens of personalization driven by artificial intelligence. It aims to explore the advantages consumers link with AI personalization, the worries they may have, and how these perceptions affect their behavior, pleasure, and allegiance to companies. In this way, the research advances our knowledge of the complex interaction between consumer psychology and technology-driven marketing techniques in the digital era.

2. REVIEW OF LITERATURE

Using a quantitative approach, Sipos (2025) surveyed 473 participants to see how AI-driven personalization affects consumer trust, happiness, and desire to buy. According to

the results, AI-based personalization greatly increases trust and satisfaction, with satisfaction serving as a key mediator for purchase intent. A key moderating element that could limit the beneficial impacts of personalization on trust and future purchasing behaviors was recognized as privacy considerations.

Focusing on customers in Chennai, India, Hari and Bibiyana (2025) found that, despite the fact that AI Despite the value of technologies like chatbots and customized recommendations for increasing convenience, there are serious worries about transparency, trust in automated systems, and data privacy. To successfully integrate AI into their marketing strategies, the study stresses the necessity for companies to prioritize transparency and actively foster trust.

Guerra-Tamez et.al. (2024) prioritized studying the consumer behavior of Generation Z in different industries. According to the research, attitudes toward AI, exposure to AI, and perceptions of AI accuracy have a significant role in increasing brand trust, which in turn has a beneficial effect on consumers' purchasing choices. According to the study, brands looking to adapt and succeed in the digital age must first comprehend how Generation Z interacts with artificial intelligence.

DeZao (2024) focuses on the need for transparency and responsibility in order to overcome the problem of gaining consumer confidence in AI-driven customer interaction. The article argues for the creation of understandable AI models that are open and transparent. comprehensible to both customers and business executives, thus reducing possible prejudices and guaranteeing ethical application

3. STATEMENT OF THE PROBLEM

Due to the rapid increase in AI-driven personalization in digital marketing, companies are now customizing content and offers for each customer. Nevertheless, opinions regarding these customized experiences differ among consumers, particularly in terms of trust, privacy, and happiness. The goal of this research is to examine how AI-driven personalization impacts consumer attitudes and behaviors, with the intention of: determine the elements that contribute to the popularity and success of such marketing tactics.

4. NEED FOR THE STUDY

AI-driven personalization is rapidly transforming digital marketing, but its impact on consumer perceptions is not fully understood.

Understanding consumer trust and privacy concerns is essential for marketers to design effective and ethical AI-based personalization strategies.

Insight into consumer satisfaction with AI personalization can help improve customer engagement and loyalty.

5. OBJECTIVE OF THE STUDY

To examine consumer awareness and understanding of AI-driven personalization in digital marketing.

To analyze the perceived benefits of AI-based personalized marketing from the consumer's perspective.

6. RESEARCH METHODOLOGY

a.**Area of the study:** The research study was conducted in Palakkad.

b. **Nature and source of data:** The study is based on both primary and secondary data. Primary data was collected from 100 consumers in Palakkad through a structured questionnaire. Secondary data was gathered from journals, websites, magazines, and textbooks related to AI and digital marketing.

c. **Sampling used:** A sample of 100 respondents was selected using convenience sampling method.

d. **Statistical tools used for the study:**

Percentage analysis

Chi-square test

Scaling technique

Garrett ranking test

7. LIMITATIONS OF THE STUDY

The study was conducted only in Palakkad, so the findings may not be generalizable to other regions.

The sample size was limited to 100 respondents, which may not fully represent the diverse population.

Data was collected through self-reported questionnaires, which may be subject to bias or inaccurate responses.

The study focused mainly on consumers' perceptions and did not include insights from marketers or businesses.

8. DATA ANALYSIS AND INTERPRETATION

Table No.1 Demographic Profile of the respondents

Demographic Variable	Category	Frequency (n=100)	Percentage (%)
Age	18–25	30	30%
	26–35	35	35%
	36–45	20	20%
	46 and above	15	15%
Gender	Male	53	53%
	Female	47	47%
Education	High School	10	10%
	Diploma	13	13%
	Undergraduate Degree	38	38%
	Postgraduate Degree	32	32%
	Doctorate or Higher	7	7%
Occupation	Student	18	18%
	Private Sector Employee	36	36%
	Government Employee	14	14%
	Self-employed	22	22%
	Homemaker	5	5%
	Unemployed	5	5%
Monthly Income (₹)	Less than 15,000	20	20%

	15,001 – 30,000	30	30%
	30,001 – 45,000	25	25%
	Above 45,000	25	25%
Marital Status	Single	40	40%
	Married	60	60%
Location	Urban	60	60%
	Semi-urban	25	25%
	Rural	15	15%
Internet Usage	Less than 1 hour/day	10	10%
	1–3 hours/day	35	35%
	4–6 hours/day	30	30%
	More than 6 hours/day	25	25%

Age: Most of the respondents are between 26–35 years (35%), followed by 18–25 years (30%). This shows that the majority are young adults who actively use digital platforms.

Gender: There are slightly more male respondents (53%) than females (46%). This gives a balanced view of both genders.

Education : Most respondents have an undergraduate (38%) or postgraduate degree (32%), showing that the group is well-educated and likely to understand digital personalization.

Occupation : The largest group is private sector employees (36%), followed by self-employed (22%) and students (18%). This indicates that most respondents are working professionals.

Monthly income: Most respondents earn between ₹15,001 and ₹45,000, which means they have the spending power to be active online consumers.

Marital status: 60% are married, and 40% are single, showing a mix of family-oriented and individual consumers.

Location : A majority live in urban areas (60%), where people are more likely to use online services and experience AI-based marketing.

Internet usage : Most people use the internet for 1 to 6 hours a day, showing they are familiar with digital platforms and likely to notice AI-driven personalization.

Table No.2

Awareness of AI-Driven Personalization in Digital Marketing

Factors	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
Awareness of AI in digital marketing	30	42	15	8	5	100
Understanding of personalization	28	45	18	6	3	100

zed marketing						
Perceived usefulness of AI	32	40	16	9	3	100
Privacy concerns related to AI	40	30	15	10	5	100
Trust in AI-driven recommendations	22	38	25	10	5	100
Experience with AI-based tools	26	36	20	12	6	100
Clarity of AI-generated marketing content	25	39	22	10	4	100
Influence of AI on purchase decisions	31	35	18	10	6	100
Engagement with personalized content	24	41	20	9	6	100
Satisfaction with AI-enabled marketing features	27	37	19	12	5	100

Awareness of AI in Digital Marketing:

Most respondents are aware of AI being used in digital marketing, with 30% strongly agreeing and 42% agreeing. This shows a good level of general awareness about AI integration in marketing strategies.

Understanding of Personalized Marketing:

A majority (28% strongly agree and 45% agree) understand how AI personalizes marketing content. This indicates that consumers recognize the role of AI in tailoring their digital experiences.

Perceived Usefulness of AI:

Most respondents find AI useful in digital marketing, with 32% strongly agreeing and 40% agreeing. This suggests that consumers see AI as adding value to their online interactions.

Privacy Concerns Regarding AI:

Privacy is a significant concern, as 40% strongly agree and 30% agree that AI raises privacy issues. This highlights consumer apprehension about data collection and use in AI-driven personalization.

Trust in AI-Driven Recommendations:

Trust levels are moderate; 22% strongly agree and 38%

agree that they trust AI recommendations. However, a notable 35% are neutral or disagree, indicating some skepticism.

Experience with AI-Based Tools:

Respondents have some experience using AI tools, with 26% strongly agreeing and 36% agreeing. This shows that many have interacted with AI-driven features like chatbots or personalized ads.

Clarity of AI-Generated Marketing Content:

Most respondents find AI-generated content clear and helpful, with 25% strongly agreeing and 39% agreeing. This implies AI content is generally understandable but could improve for some.

Influence of AI on Purchase Decisions:

AI personalization influences buying decisions for many, as 31% strongly agree and 35% agree. This indicates AI's role in shaping consumer behavior.

Engagement with Personalized Content:

Engagement levels are positive, with 24% strongly agreeing and 41% agreeing that personalized content grabs their attention, suggesting effective AI targeting.

Satisfaction with AI-Enabled Marketing Features:

Overall satisfaction is fairly high, with 27% strongly agreeing and 37% agreeing. Consumers generally appreciate AI features but some remain neutral or dissatisfied.

Table No.3

Relationship Between Demographic Profile and Awareness of AI-Driven Personalization in Digital Marketing

Demographic Variable	Category	Not Aware	Aware	Highly Aware	Total	χ^2 Value	Table Value	Remarks
Gender	Male	10	30	14	54	6.2	5.991	Significant (S)
	Female	8	28	10	46	4.1	9.1	
Age (Years)	18–25	12	13	5	30	7.3	9.488	Not Significant (NS)
	26–35	8	18	9	35	4.1	8.8	
	36–45	4	10	6	20			
	46 and above	2	17	4	15			
Educational Level	High School	7	2	1	10	15.2	9.488	Significant (S)
	Diploma	5	6	2	13	3.4	8	
	Undergraduate	3	21	14	38			

	Degree							
	Postgraduate Degree	3	22	7	32			
	Doctorate or Higher	0	7	0	7			
Monthly Income (₹)	Less than 15,000	5	10	5	20	4.1	9.488	Not Significant (NS)
	15,001 – 30,000	8	12	10	30			
	30,001 – 45,000	3	15	7	25			
	Above 45,000	2	8	10	20			
Marital Status	Single	7	21	12	40	3.8	5.991	Not Significant (NS)
	Married	11	37	12	60	7	9.1	

*significant at 5% percent level

The chi-square analysis indicates that **gender** is significantly associated with awareness of AI-driven personalization, with a χ^2 value of 6.241, which is greater than the table value of 5.991 at the 5% significance level. This means males and females differ significantly in their awareness levels, with males showing slightly higher awareness. For **age groups**, the χ^2 value is 7.341, which is less than the critical table value of 9.488. Therefore, age does not have a statistically significant impact on awareness of AI-driven personalization, implying that awareness is similar across age categories. **Educational qualification** shows a significant relationship with awareness, with a χ^2 value of 15.234 exceeding the table value of 9.488. Respondents with higher education (undergraduate and postgraduate degrees) exhibit greater awareness of AI-driven personalization compared to those with lower qualifications. The association between **monthly income** and awareness is not significant ($\chi^2 = 4.122 < 9.488$), indicating income levels do not strongly influence awareness. Similarly, **marital status** shows no significant association with AI awareness ($\chi^2 = 3.887 < 5.991$), suggesting that whether respondents are single or married does not affect their awareness levels.

Table No.4
Perceived Benefits of AI-based Personalized Marketing

Perceived Benefit	Total Garrett Score	Average Garrett Score	Final Rank
Improved Customer Experience	8500	85.0	1
Relevant Product Recommendations	7800	78.0	2
Personalized Offers and Discounts	6800	68.0	4
Time-Saving in Decision Making	7000	70.0	3
Increased Trust in Brand	6500	65.0	6
Better Engagement through Communication	6000	60.0	7
Enhanced Customer Loyalty	6700	67.0	5
Greater Convenience in Shopping Experience	5900	59.0	8
Reduction in Irrelevant Advertisements	5500	55.0	9
Access to Exclusive Content	5000	50.0	10

The Garrett Ranking test results show that consumers consider improved customer experience as the most important benefit of AI-driven personalized marketing, with an average score of 85.0 and ranked 1st. Relevant product recommendations follow closely, scoring 78.0 and ranked 2nd. Time-saving in decision making ranks 3rd with a score of 70.0, while personalized offers and discounts come in 4th with 68.0. Enhanced customer loyalty is ranked 5th with a score of 67.0, and increased

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trust in brand holds the 6th position with 65.0. Better engagement through communication ranks 7th with 60.0, followed by greater convenience in shopping experience at 8th with 59.0. Reduction in irrelevant advertisements is ranked 9th scoring 55.0, and access to exclusive content is ranked 10th with a score of 50.0. These rankings indicate that consumers value personalization mostly for improving their overall experience and making shopping more efficient and relevant.

9. SUGGESTIONS FOR THE STUDY

Increase awareness among consumers about how AI personalization works.
Improve data privacy and security to build consumer trust.
Use AI to make marketing messages more relevant and useful to customers.
Avoid overloading consumers with too many personalized ads or offers.
Regularly collect feedback from consumers to improve AI personalization.
Educate marketers on best practices for using AI in digital marketing.

10. CONCLUSION

The study concludes that AI-driven personalization in digital marketing has a significant impact on consumer perceptions by improving their overall experience. The convenience of faster decision-making, pertinent offers, and customized recommendations are highly valued by consumers. These advantages increase happiness and promote stronger brand loyalty and trust. The overall response demonstrates a high level of customer acceptance and appreciation for AI-based personalization, even if some advantages, such as access to unique material, are given lower priority. By utilizing this knowledge to create more targeted marketing campaigns that appeal to individual tastes, companies may ultimately improve customer interaction and foster stronger relationships..

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