Economic Sciences
https://economic-sciences.com
ES (2026) 22, 3(S), 161-176| ISSN:1505-4683

Artificial Intelligence–Driven Personalization and Consumer Behaviour: A Structured Review and Conceptual Framework Based on Scholarly Literature

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Abstract

Personalization based on artificial intelligence has become one of the hallmarks of modern digital marketing ecosystems, which allows companies to offer highly personalized recommendations, content, and advertisements using consumer data. Although these systems improve the consumer experience and efficiencies of marketing, the behavioural implications of these systems have not been incorporated effectively in the literature. It is a systematic review of academic literature on AI-based personalization and consumer behaviour that will synthesize the existing knowledge and define the main theoretical processes that influence consumer reactions to algorithmic decision-making systems. A search process based on PRISMA was conducted to conduct a literature screening of 186 relevant studies published in 2010 to 2025 and identify the main research themes and theoretical constructs in the field. The results indicate that there are four significant research streams, including the application of artificial intelligence in marketing, algorithmic recommendation systems, consumer behavioural reactions to personalization technologies, and ethical issues related to data privacy, transparency, and governance of algorithms. On this basis, the paper hypothesises an integrative conceptual model of how AI-mediated personalization affects consumer behavioural responses by the mediating effects of perceived relevance and algorithmic trust, and privacy issues mediate these relationships. The research will help in the growing body of literature on technology-enabled consumer behaviour by bringing together the views on marketing, information systems and artificial intelligence providing theoretical understanding and management implications to implement responsible AI-driven personalization practices.

Keywords: *Artificial intelligence in marketing, algorithmic personalization, consumer behaviour, algorithmic trust, privacy concerns*

1. Introduction

The concept of artificial intelligence (AI) has altered the digital marketing environment by allowing processing of large amount of customer data to enable companies to customise and personalise the communication and promotions to customers. Organizations are now able to customize content, product suggestions and marketing messages to individual consumers with higher accuracy and better engagement through the help of machine learning algorithms and predictive analytics. Such advancements in technology have greatly changed the way companies communicate with their consumers in the digital world especially in e-commerce networks, social media ecosystems and digital advertisement systems. With the growing dependence on algorithmic systems to customise consumer experiences on digital platforms, the behavioural implications of such technologies are slowly emerging as a significant field of scholarly study.

Personalization systems based on AI use algorithms which evaluate behavioural data, browsing histories and purchasing patterns to produce personalised recommendations. These systems are actively implemented by large digital platforms, including Amazon, Netflix, and Google, the use of personal information in these cases does not only affect how consumers make choices but also determines the digital consumption experience (Ricci et al., 2015; Davenport et al., 2020). The purpose behind these systems is to enhance the applicability of information displayed to the viewer as well as increasing customer interest through anticipating the taste of customers and providing directional suggestions.

Although scholarly research has shown much interest in the technological advancements in the arts of artificial intelligence and recommendation, comparatively less research has investigated the behavioural effects of algorithmic personalization within the digital marketing environment. The current body of literature tends to concentrate on the technical form of algorithms or the performance of a system and little of the literature incorporates consumer behaviour theories of how people think about and react to algorithmic decision-making systems (Huang and Rust, 2021). Moreover, growing popularity of technologies of personalization has brought up significant questions connected with the trust of consumers, privacy, and transparency of algorithms (Martin and Murphy, 2017).

Considering the high rate of the research development on the topics of artificial intelligence and personalization technologies, a systematic review of the existing literature is required to get an idea about the prominent themes, theoretical frameworks, and gaps of research in this area. The aim of this study is to explore in a systematic manner the existing academic writings on AI-based personalization and consumer behaviour.

The study can add to the emerging body of knowledge in technology-enabling consumer behaviour by integrating the findings of various research fields such as marketing, information systems, and artificial intelligence.

2. Literature Review

A detailed analysis of the studies on algorithmic personalisation reveals that the literature on artificial intelligence–driven personalization can be broadly organized into four major thematic streams: technological foundations of AI personalization, algorithmic recommendation systems, consumer behavioural responses to personalization, and ethical and governance concerns associated with algorithmic decision-making.

Artificial intelligence forms a core technological movement of modern marketing system. AI based technologies can help organizations analyze huge volumes of data and spot trends that would otherwise be hard to spot with the aid of conventional analytical tools. The algorithms of machine learning can analyse the behaviour of a consumer in real time, which allows companies to provide marketing messages of the highest level of personalisation and optimise their interactions with customers (Davenport et al., 2020).

The application of AI in digital marketing is in automated customer service, predictive analytics, recommendation engines and personalized advertising platforms. These technologies enable the marketers to improve the experiences of their customers by providing them with relevant information and dedicated contents. The adoption of AI technologies in marketing practices has consequently changed how companies shape and execute customer engagement programs.

It has been found that AI-based marketing systems can help companies to enhance decision-making accuracy and increase operational efficiency due to automation of data analysis systems (Huang and Rust, 2021). With machine learning algorithms, organizations will be able to forecast consumer preferences, segment more efficiently, and provide more specific marketing messages to customers to increase customer engagement and conversion rates. Several literatures suggest that customer experience is an important factor in customer satisfaction and customer engagement in online spaces. When the consumers find the digital content to be relevant and useful, they tend to be more encouraged to interact with the platform and give attention to the offered recommendations (Tam and Ho, 2006). Personalization is thus an important strategic instrument that organisations aiming at enhancing customer relationship and raising marketing effectiveness should consider.

Nevertheless, personalization based on algorithms also provokes the issue of consumer autonomy and transparency. The personalization algorithms, some studies reveal, can limit consumer choice by filtering the information and exposing users to the content (Pariser, 2011). Recommendation systems are among the most frequently researched uses of artificial intelligence in the digital platform. These systems have been created to anticipate what the user wants and propose the products, services, or content that are likely to appeal to the individual users. Recommendation systems are usually realized on e-commerce websites, streaming websites, and social media networks. The recommendation systems are developed in two major approaches, one being collaborative filtering and the other content-based filtering. The collaborative filtering systems make recommendations using similarities among users, whereas content-based filtering systems make recommendations using similarities among product attributes and user preferences (Ricci et al., 2015). The recent developments in the fields of deep learning and neural networks have enhanced the accuracy of the recommendations systems by providing more advanced pattern recognition and prediction possibilities.

It has been shown that efficient recommendation systems can have a powerful impact on user interaction and increase customer satisfaction through information overload minimization and more efficient decision-making processes. The perceptions of relevance, trust, and transparency are seen to be the ultimate determinants of in relation to the recommendation system.

Studies also delve into the behavioural and psychological factors that affect consumer reactions on AI-based personalization. These studies have pointed out some important constructs that affect the acceptance of algorithmic decision-making systems by consumers are perceived relevance, algorithm trust, perceived usefulness and privacy issues.

Perceived relevance is the measure of how much the consumers think that the personalized recommendations are relevant to their preferences and needs. Consumers tend to believe the system and follow the recommended content when they feel that the recommendations are highly relevant. Trust is thus an important mediating factor between the impact of algorithmic personalization and the result of consumer behaviour.

The prevalence of algorithmic personalization is a symptom of larger-scale changes in direction toward data-driven decision-making, predictive analytics and automated market governance (Davenport et al., 2020; Shankar, 2018). Companies are starting to look at recommender systems, behavioral profiling, and artificial intelligence-based profiling to boost engagement and conversion rates (Bleier and Eisenbeiss, 2015; Lambrecht and Tucker, 2013). Experimental data indicate that customization has the potential of enhancing the response rate of clicking, relevance, and the propensity to buy (Ansari and Mela, 2003; Tam and Ho, 2006). Personalization theoretically results in lowering search expenses and consumer utility as it matches the offerings to personal preferences (Hauser et al., 2009).

Systems of personalization can also raise privacy issues when consumers believe that their personal information is being violated in a manner that is judgmental or manipulative. The issue of privacy can decrease the level of consumer trust and affect the attitudes towards digital platforms in a negative way (Martin and Murphy, 2017). Consequently, companies must find the right balance between the advantages of personalization and ethical aspects concerning data privacy and disclosure.

The increasing uses of artificial intelligence in the marketing sector have provoked much ethical apprehension regarding the transparency of algorithms, data confidentiality, and partiality in the automated decision-making systems. Scholars have emphasized that AI algorithms could reproduce or increase existing societal inequalities in cases where training datasets are based on past disparities or structural inequalities (Barocas and Selbst, 2016; Mittelstadt et al., 2016). Recommendation engines, targeted advertising, and customer profiling algorithmic decision-making systems applied in marketing scenarios can thus lead to unwanted discriminatory or unfair results (Martin, 2019).

In turn, algorithmic transparency has become one of the most important aspects of the responsible AI systems development. Transparency is the extent of understanding by users how automated systems make algorithmic decisions and how their personal data are used (Diakopoulos, 2016). The more consumers know about the process of recommendations creation and the ways their data are handled, the more they are likely to show an increased degree of trust in AI-based technologies

(Shin, 2021). Fairness, accountability, and transparency of algorithmic system applications in marketing and the digital space are thus recognized as of essence in ethical AI systems (Floridi et al., 2018; Jobin, Ienca, and Vayena, 2019).

Despite the advances in the research of technological possibilities and the ethical issues of the AI-driven personalization, comparatively little focus has been placed on the way in which consumers perceive and react psychologically to the algorithmic personalization systems. Although constructs like perceived relevance, trust and privacy concern in digital environment have been explored in past research, they are largely researched on separately and in a particular field like marketing, information systems or computer science. Therefore, the larger behavioural implications of algorithmic personalization, in particular, the ways consumers view the influence of algorithms on their decision-making process, are not well incorporated into the body of literature.

2.1 Research Gap

Even though the current literature offers valuable information regarding the technological advancement of artificial intelligence -based personalization and its ethical aspects, there are still numerous gaps in the knowledge of behavioural implications of algorithmic personalization to consumers.

To begin with, algorithmic personalization creates structural inequalities on information and decision-making authority between firms and consumers. With the help of behavioural traces (browsing histories, clicking patterns, purchasing histories) artificial intelligence systems can automatically determine user preferences even without users knowing it. Consumers might thus view these inference processes as surveillance or manipulation especially when the algorithmic choice reasoning is obscure (Martin and Murphy, 2017; Tucker, 2014). The proponents of this claim have suggested that mass data collection and algorithmic profiling can raise the issue of autonomy, equity, and imbalance of power in online markets (Calo, 2014; Zuboff, 2019). With the trend of systems of personalization becoming more predictive, it does not just react to the preferences of consumers but might even influence the context within which consumer preferences are formed.

Second, the same developments have added to the so-called personalization-privacy paradox. Customers often raise issues of personal data collection and usage as they remain active on customized online platforms (Awad and Krishnan, 2006). Conventional models of this paradox are based on the theory of privacy calculus which assumes that when individuals are making rational judgments about the benefits of personalization and disclosing personal information against the risks to privacy, they are performing a trade-off that may be rational or irrational (Dinev and Hart, 2006). Nonetheless, new studies indicate that consumer actions towards algorithmic personalization do not just involve cost-benefit measurements. The reaction of emotion, a sense of fairness, a belief in algorithm systems, and a sense of independence can also influence the reaction of individuals toward individualized digital space (Bleier and Eisenbeiss, 2015; Dietvorst et al., 2015; Martin and Murphy, 2017).

Third, algorithmic personalization is not the same as the previous types of personalization applied in traditional marketing scenarios. Scientific progress in machine learning and predictive analytics has expanded the entity of the recommendation systems and their obscurity and automation and because of these developments, the consumer can hardly see the mechanisms of personalization at work. Consequently, consumers move towards digital increasingly where decisions are filtered or sorted using algorithmic systems that are hard to trace or examine. This change implies that it is necessary to combine the findings related to privacy studies, trust construction, avoiding algorithms, and psychological reactance to comprehend better how consumers respond to AI-based personalization.

Lastly, most of the research that has been conducted has analysed the individual constructs, i.e., trust, perceived usefulness, or satisfaction with personalization, individually. Meanwhile, the literature is still disjointed in various fields of academic study, such as marketing, information systems, and computer science. This disunity has constrained the formulation of all-encompassing theoretical models to relate the technological potential of AI personalization and consumer behavioural outcomes.

To address these gaps, the current research performs a systematic review of the academic literature dedicated to AI-based personalization and consumer behaviour and elaborates on a conceptual framework that can be used integratively to explain how the system of algorithmic personalization can impact consumer perception and behavioural reactions to digital space.

Research Questions

RQ1: Which cognitive, emotional, and contextual factors affect the reactions of consumers on algorithmic personalization?

RQ2: In what ways does the consumer rate the trade-offs between the benefits of personalization and privacy in AI-driven marketing contexts that are marked using algorithmic automation and a lack of transparency?

3. Theoretical Background

To gain insight into consumer reactions to the artificial intelligence-based personalization, the theoretical perspectives would be needed to determine the technology adoption behaviour, as well as the ethical regulation of the work of the algorithmic systems. This study applies the Technology Acceptance Model (TAM) and the principles of Fairness, Accountability, Transparency, Ethics, and Sustainability (FATES) of responsible AI to give a detailed theoretical framework to study the AI-based personalization within the digital context.

Technology Acceptance Model (TAM)

One of the most used theoretical models that help to explain why users accept information technologies is the Technology Acceptance Model (TAM), which was initially developed by Davis (1989). According to TAM, adoption of a technological system among people is mainly determined by two important perceptions that include perceived usefulness and perceived ease of use. Perceived usefulness can be defined as the level of perceived usefulness of the user is the attitude that the use of a specific technology will yield performances or results whereas, perceived ease of use can be defined as the perceived ease with which the technology can be used (Davis, 1989; Davis et al., 1989).

TAM has been widely used in the literature on consumer adoption of digital technology, such as e-commerce, mobile technology, and e-site recommendation system (Venkatesh and Davis, 2000; Venkatesh et al., 2003). In the context of digital marketing, TAM can be an effective tool in understanding the ways in which consumers appraise algorithmic systems of personalization that are built into online platforms. All the consumers are more likely to form positive attitudes towards the technology and use the platform when they believe that the personalized recommendations will be helpful to them to find the relevant products or services.

Recent studies have generalized TAM to investigate artificial intelligence-based marketing systems. Research indicates that AI-based recommendations display has a positive impact on consumer adoption behaviour, as it improves the usefulness of digital platforms through personalised content delivery and predictive recommendations (Huang and Rust, 2021; Davenport et al., 2020). Here, perceived relevance of personalized recommendations may be regarded as the continuation of perceived usefulness because the relevant recommendations enhance the efficiency of decision-making and the overall digital experience of consumers.

Moreover, the transparent way AI-enhancing personalization applies to digital interfaces can contribute to the subjective ease of use of reducing the cognitive load that users must exert to search information and find products. Consequently, TAM offers a valuable theoretical foundation to the study of the effects of AI-driven personalization on consumer engagement and behavioural intentions in the digital context.

Framework to make Artificial Intelligence Responsible.

Although TAM of technology adoption is functional, there has been an emerging concern over ethical considerations of transparency and fairness in the use of artificial intelligence in digital platforms as well as how ethical considerations of data governance can be conducted responsibly. It has given way to the principles of Fairness, Accountability, Transparency, Ethics, and Sustainability (FATES) framework that includes the principles of Fairness, Accountability, Transparency, Ethics, and Sustainability as a guideline on responsible development of artificial intelligence (Floridi et al., 2018; Jobin et al., 2019).Fairness is the need that the algorithm systems must not generate the discriminatory results or further support the existing social prejudices. Fairness is often valued in personalization systems as algorithms depend on extensive amounts of past data that can be biased in some manner and can affect the results of the recommendation (Mehrabi et al., 2021). It is also necessary to make sure that algorithmic decisions are fair to ensure that consumers have no doubts about AI-based systems.

Accountability is the role of organizations to make sure that algorithmic systems are working in line with ethical and regulatory guidelines. Companies using AI-powered marketing systems should exercise control over the functioning of the algorithms and make sure that consumer vulnerabilities and consumer behaviour manipulation are not the reasons why the personalization strategies are used (Floridi et al., 2018). Transparency is the other key feature of the FATES framework. An element of transparency defines the fact that users understand the way algorithmic systems suggest them and utilize personal data. It is stated that the transparency of the operations of the algorithms would enhance consumer trust and reduce doubts about the use of the personal information (Shin, 2021). Effective explanation of the information use patterns and mechanisms of the algorithmic decision-making is therefore a relevant consideration towards enhancing consumer trust towards AI-powered systems.

The moral and sustainability of the FATES model gives an insight into the importance of the responsible management of data and the implications of artificial intelligence technologies on society in the long-term perspective. Developing ethical AI requires organizations to consider consumer privacy, equity and welfare in the society when developing and implementing algorithm systems (Jobin et al., 2019).

The integration of TAM and FATES concepts provides a strong theoretical framework that can be used to examine the notion of the AI-driven personalization of digital marketing environments. Although TAM outlines the functional motives of using technology based on the perceived usefulness and the perceived ease of use, the FATES model focuses on the ethics to be adhered to when implementing AI.

Applied to the digital personalization system, this combined viewpoint implies that the consumer will judge algorithmic recommendations based on how useful they feel as well as how fair, transparent, and morally acceptable the use of the data is. Both systems have a higher potential to create consumer trust and desirable behavioural results in terms of generating useful recommendations at a reasonable level of transparency and responsible data practice.

As a result, integrating TAM and FATES allows the more comprehensive definition of the way consumers appraise AI-based personalization technologies, as well as both technological efficiency and ethical factors in influencing consumer behaviour.

4. Methodology

The study adopts a systematic literature review approach to analyse the research on artificial intelligence-independent personalization and consumer behaviour. The appropriate records were identified using the search queries in major academic databases, which were anchored on the keywords of artificial intelligence, algorithmic personalization, recommendation system and digital marketing.

The initial search had approximately 1000 academic records. The filters were applied that filtered these documents and this involved the screening of titles, screening of abstracts and screening of relevance. The analysis did not consider articles which were not related to the sphere of artificial intelligence applications or its effects on consumer behaviour.

Following the screening process, 189 articles were further analysed. The data were retrieved in the form

ES (2026) 22, 3(S), 161-176| ISSN:1505-4683

of bibliographic information including authors, the year of publication, the source of the journal, and titles of the articles. The articles were selected and consequent thematic content analysis was undertaken with the view of identifying the most common research themes, the conceptual relationships and the research gaps. Such an approach also allowed the research to generalize the results concerning a considerable volume of the literature.

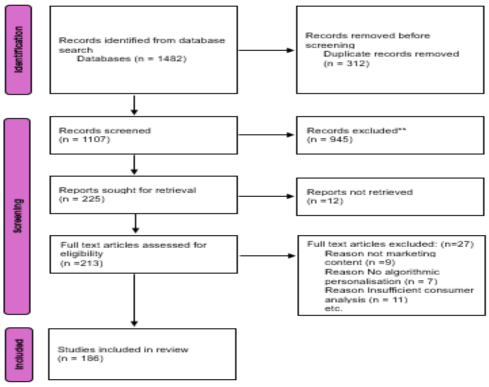

Figure I: PRISMA for Artificial Intelligence–Driven Algorithmic Personalization and Consumer Behaviour

In this study, the PRISMA-based screening of the article is shown (Figure 1). The first search resulted in about 1482 records of scholarly databases. The eligibility of 213 articles was evaluated after filtering out duplicates and filtering titles and abstracts. After the relevance evaluation, 186 articles were included in the final conceptual analysis.

Inclusion and Exclusion Criteria:

To standardize and suitability of the chosen studies, pre-planned inclusion and exclusion criteria were used to screen the studies. These criteria were established according to the guidelines to conduct the systematic literature review and were developed in such a way that the resulting dataset would comprise the research that is directly related to the algorithmic personalization and consumer behaviour. The studies were included in case they directly studied consumer perceptions, attitudes, trust, or behavioural reaction to an algorithmic personalization or AI-based marketing system. Conversely, literature that was only based on technical algorithm development, engineering optimization or computational modelling but had no element of consumer behaviour were not included.

Table I: Inclusion and Exclusion Criteria

Criteria Type	Inclusion Criteria	Exclusion Criteria
Publication type	Peer-reviewed journal articles	Conference papers, book chapters, editorials, reports
Language	English-language publications	Non-English publications
Time period	2010–2025	Studies published before 2010
Research Focus	Studies that examine consumer attitudes, perception, trust, or behavioural responses to algorithmic personalization	Studies that focus purely on algorithm development or technical system design
Context	Digital marketing, recommendation strategies and systems, personalization in advertising, AI-driven consumer interactions	Studies unrelated to marketing or consumer behaviour
Methodology	Empirical studies, conceptual work, or systematic reviews that are relevant to algorithmic personalization	Studies that lack empirical or theoretical relevance to algorithmic personalization

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The application of these inclusion and exclusion criteria ensured the rigor in the final set of records considered so that the review constituted studies directly relevant to the research objective of understanding consumer responses to algorithmic personalization systems.A Publication Trend Graph (2015-2025) illustrates the dynamics of growth of the research on Algorithms of personalization in marketing, which proves that the sphere is developing at an alarming rate. The area of algorithmic personalization has picked up pace since 2018, where in the usage of AI-based recommendation systems became widespread and ethical AI governance has become the focus of research in more studies.

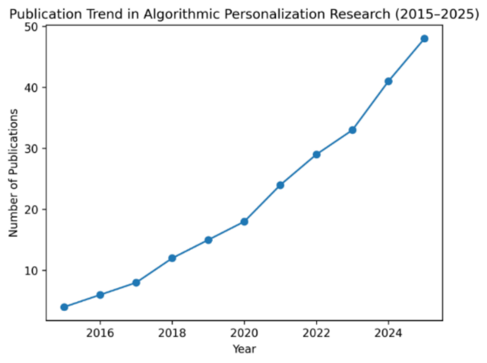

Figure II. The publication trend of studies examining algorithmic personalization in marketing- annual data (2015–2025)

An analysis of the keyword evolution over time depicts that early studies focused primarily on privacy concerns and technology adoption, while more recent research places emphasis on trust, transparency, and fairness in AI-driven marketing systems.

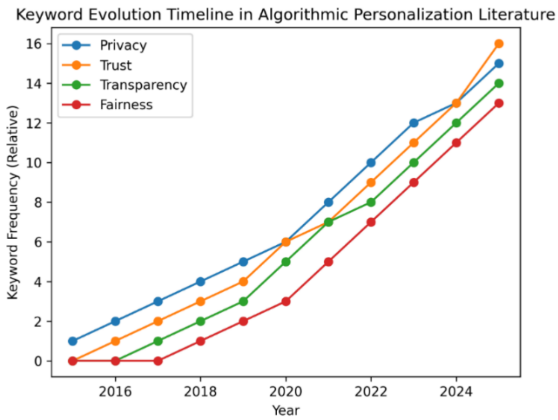

Figure III. Evolution of dominant research themes in algorithmic personalization literature

This understanding of the gradual evolution of dominant research themes in algorithmic personalization research can be perceived to be purely due to the transition from a purely technological adoption perspective toward a broader governance-oriented paradigm. Table 2 depicts the linkages between the constructs derived from the Technology Acceptance Model and the principles embedded in the FATES framework with the variables included in the conceptual framework proposed in this study.

Table II. Theoretical linkages between TAM constructs, FATES principles and conceptual framework variables

Conceptual Framework Variable	Related TAM Construct	Related FATES Principle	Theoretical Explanation	Key Supporting Literature
AI Personalization Systems	Perceived Usefulness	Transparency, Accountability	AI-driven personalization systems through a robust usage of AI and machine learning constructs enhance platform functionality by enabling customized recommendations as well as predictive insights. The effectiveness of these depends on the perceived usefulness of personalized outputs and transparent algorithmic processes.	Davis (1989); Davenport et al. (2020); Floridi et al. (2018)
Perceived Relevance of Recommendations	Perceived Usefulness	Transparency	The generated recommendations when aligned with user preferences, consumers perceive the system as useful and this makes it beneficial for decision-making. Transparent personalization mechanisms further strengthen perceptions of relevance and trust amongst consumers.	Tam & Ho (2006); Huang & Rust (2021); Shin (2021)
Algorithmic Trust	Attitude Toward Technology	Fairness, Accountability	Trust in algorithmic systems emerges when consumers believe that recommendations are unbiased, fair, and ethically generated. Perceptions of fairness and accountability play a key role in building trust in AI systems.	Venkatesh et al. (2003); Jobin et al. (2019); Mehrabi et al. (2021)
Privacy Concerns (Moderator)	Perceived Risk (TAM extension)	Ethics, Sustainability	Consumers may perceive risks related to the collection and use of personal data in personalization systems. Ethical AI governance and responsible data management practices are necessary to mitigate privacy concerns.	Martin & Murphy (2017); Floridi et al. (2018); Shin (2021)
Consumer Engagement	Behavioral Intention	Transparency, Fairness	Positive perceptions of usefulness, fairness, and transparency encourage users to interact with digital platforms and engage with personalized recommendations.	Venkatesh et al. (2003); Huang & Rust (2021)
Purchase Intention	Behavioral Intention	Accountability	When consumers trust algorithmic systems and perceive recommendations as useful, they are more likely to develop purchase intentions toward recommended products or services.	Davis (1989); Davenport et al. (2020)
Platform Loyalty	Continued Use Intention	Sustainability	Sustained positive experiences with ethical and transparent personalization systems can foster long-term loyalty and repeated engagement with digital platforms.	Venkatesh et al. (2003); Floridi et al. (2018)

A further analysis of the key studies on AI driven Personalisation and consumer behaviour yielded the impact as shown in the table below -

Table III. Summary of Key Studies on AI-Driven Personalization and Consumer Behaviour

Author	Year	Method	Key Findings	Contribution
Rendle et al.	2009	Algorithmic / Empirical	Introduced Bayesian Personalized Ranking for recommendation systems using implicit feedback	Development of recommendation ranking models
Chen et al.	2020	Review	Artificial intelligence technologies are transforming personalized learning systems	AI applications in personalization systems

Mittelstadt et al.	2016	Conceptual	Algorithmic decision-making raises ethical issues related to fairness, transparency, and accountability	Ethics of algorithms
Li et al.	2010	Empirical	Contextual bandit models enable personalized recommendations in dynamic environments	Personalized recommendation algorithms
Huang & Rust	2021	Conceptual	Artificial intelligence is reshaping marketing and service delivery through automated personalization	Strategic framework for AI in marketing
Longoni et al.	2019	Experimental	Consumers often exhibit resistance to AI recommendations in sensitive contexts	Consumer trust in AI systems
Pariser	2011	Conceptual	Personalization algorithms can create “filter bubbles” that limit information diversity	Societal impact of algorithmic personalization
Johnson et al.	2021	Conceptual	AI enables precision personalization in healthcare and decision support systems	AI personalization in healthcare
Wilson & Daugherty	2018	Conceptual	Human–AI collaboration improves decision-making in data-intensive environments	Collaborative intelligence
Shin	2021	Empirical	Explainability and transparency improve trust and acceptance of AI systems	Algorithmic transparency and trust
Rai	2020	Conceptual	Explainable AI is critical for improving accountability and transparency of algorithmic systems	Explainable AI framework
Tan et al.	2022	Empirical	Personalized federated learning improves recommendation accuracy while protecting privacy	Privacy-preserving personalization
Ngiam & Khor	2019	Review	Big data and machine learning enable personalized prediction and decision support	AI-enabled predictive personalization
Raji et al.	2020	Conceptual	AI governance mechanisms are required to address accountability gaps	Responsible AI governance
Haleem et al.	2022	Review	AI technologies are rapidly expanding personalization capabilities across industries	AI applications across sectors

Thematic analysis of the articles chosen provides an insight into some of the most prominent research streams in the literature about the personalization facilitated by artificial intelligence. They are AI usage in marketing, algorithmic recommendation systems, human behavioural reactions to personalization technologies, and the ethical considerations of algorithmic decision-making. The key research themes that were identified in the literature and their applicability in the current research are summarized in table 3.

Table IV: Major Research Themes Identified in the Literature

Research Theme	Key Concepts	Representative Studies	Key Insights from Literature	Implications for the Present Study
Artificial Intelligence in Marketing	AI-driven analytics, machine learning, predictive marketing	Davenport et al. (2020); Huang & Rust (2021)	Artificial intelligence technologies enable firms to process large volumes of customer data and automate marketing decision-making processes.	Establishes AI as a technological foundation for digital personalization strategies.
Algorithmic Personalization Systems	Personalization algorithms, recommendation engines, predictive targeting	Tam & Ho (2006); Li et al. (2010); Rendle et al. (2009)	Personalization algorithms improve consumer experience by delivering relevant content and recommendations tailored to individual preferences.	Provides the technological mechanism through which AI influences consumer interactions.
Recommendation Systems and Platform Design	Collaborative filtering, content-based filtering,	Ricci et al. (2015); Chen et al. (2020)	Recommendation systems play a central role in digital platforms by	Demonstrates how recommendation systems shape

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	hybrid recommendation models		guiding consumer discovery and reducing information overload.	consumer decision environments.
Consumer Behaviour and AI Interaction	Perceived relevance, trust in algorithms, engagement with digital platforms	Shin (2021); Longoni et al. (2019)	Consumer perceptions of relevance and trust significantly influence their willingness to engage with AI-generated recommendations.	Supports the mediating role of perceived relevance and algorithmic trust in the conceptual framework.
Privacy and Ethical Concerns in AI	Data privacy, algorithmic transparency, ethical AI governance	Floridi et al. (2018); Jobin et al. (2019); Martin & Murphy (2017)	Consumers may develop privacy concerns when algorithmic systems collect and analyze personal data without transparency.	Highlights the moderating role of privacy concerns in AI personalization adoption.
Responsible and Explainable AI	Algorithmic fairness, explainability, accountability in AI systems	Rai (2020); Mehrabi et al. (2021)	Transparent and explainable AI systems enhance trust and acceptance of algorithmic decision-making technologies.	Provides theoretical justification for incorporating ethical principles from the FATES frame

5. Conceptual Framework

The study proposes a framework based on a thorough synthesis of the available sources related to artificial intelligence, digital marketing and consumer behaviour, the framework posits how the personalization systems powered by AI affect the consumer behavioural outcomes in the digital settings. The framework incorporates the knowledge of personalization theory, trust development in technology-mediated interactions and privacy calculus theory to describe the processes according to which consumers react on algorithmic recommendations.

Personalization through artificial intelligence has become a key characteristic of modern online platforms, such as online shopping platforms, streaming platforms, social networks, and online bank websites. They involve the analysis of large sets of user data including browsing history, purchase history, interaction behaviour, and demographic characteristics, to provide personalized recommendations that are designed to not only increase consumer experience but also make decisions more efficient. Such systems can be more relevant and convenient, but the key issue is whether they can be effective based on the perception and interpretation of algorithmic recommendations by consumers.

In the given conceptualization, the AI-driven personalization systems are perceived as the main technological stimulus that develops consumer perceptions and behavioural reactions. The framework assumes that personalization systems affect consumer behaviour in terms of two major perceptual processes perceived relevance and algorithmic trust.

Perceived Relevance

The perceived relevance is the extent to which consumers think that the personal recommendations made by AI systems are relevant to their needs, preferences, and the requirements of the context. Consumers in the digital world where there is information overload use personalization algorithms that help them sift through volumes of information and offer them options that best match their interests. Cognitive efficiency and less effort in making decisions are perceived among the consumers when the algorithmic recommendations are perceived to be highly relevant.

Theoretically, the concept of perceived relevance is directly related to the information processing theory and effectiveness of recommender systems as consumers analyze the utility of algorithmic results depending on reducing search costs and enhancing the quality of decisions. Individualized suggestions that are based on the taste of the consumer are thus bound to add value to the perceived value of the digital platform. In turn, there is an increase in the perception of relevance that will lead to a greater level of consumer satisfaction and the desire to continue to use the platform.

Algorithmic Trust

Whereas perceived relevance impacts on the perceived usefulness of personalization systems, algorithmic trust is an important psychological process that defines whether consumers embrace and trust AI-based recommendations. The level of trust that consumers have in automated systems to come up with reliable, unbiased, and useful recommendations is known as algorithmic trust.

The growing utility of algorithmic systems has raised the level of trust because digital platforms are being used with the use of non-understandable opaque machine-learning models. Consumers therefore must use heuristic indicators, including accuracy of recommendation, reputation of the platform, openness of the algorithms, and experience in interacting with the system, to ascertain whether the system can be trusted.

The conceptual model hypothesises that algorithmic trust mediates the linkage between perceived relevance and consumption behavioural result. The consumers might be reluctant to use recommendations even when they seem relevant as they might feel that the algorithm system is manipulative, biased, or unreliable. On the other hand, consumers tend to believe in the algorithmic system and follow recommendations when they have a high level of trust in them and consider them during decision making. Thus, algorithmic trust can be regarded as a mediating factor that converts the perceived relevance into positive behavioural reactions.

Privacy Concerns as a Moderating Condition.

Though AI-controlled personalization systems are intended to improve the user experience, they usually demand the massive amount of collection and analysis of personal information. This brings up the issues of data privacy, surveillance and algorithmic transparency. There is growing concern among consumers about how their own personal information are being gathered, kept, and used as a way of personalization, and they have steadily rated digital platforms on this factor.

Privacy issues are thus included within the conceptual framework as moderating variable that affects the relationship between personalization systems and consumer trust. Privacy issues are the degree to which the consumer feels that there are risks of the digital platforms collecting and using their personal information. Consumers often weigh the cost-benefit analysis between the advantages of personalized services and the perceived risk of disclosure of personal information. The high privacy levels might also trigger consumer distrust in the personalization system because consumers will be sceptical of the algorithmic recommendations when they are high. Contrarily, the perceived risks are lower in situations where consumers feel that their data are managed safely and in a transparent fashion, and personalization systems work more efficiently.

Therefore, the power of the connection between AI-driven personalization and algorithmic trust is mediated by privacy concerns. Extremely high privacy risks will lower the trust in the algorithmic systems, thus limiting the success of the personalized marketing strategy.

Outcomes of Behaviour Expressed by Consumers.

The last element of the framework is the behavioural consequences of AI-driven personalization and the development of trust. According to the model, consumer perceptions of personalization being relevant and trustworthy will lead to more positive attitude formation towards the platform and favourable behavioural response.

Such behavioural consequences can take several forms including, greater involvement of consumers demonstrated by increased time on the platform, more engagements with recommendations and product or content exploration, personalized recommendations can make the process of making a purchase easier leading to an increased platform loyalty, in which consumers constantly go back to platforms that continuously deliver reliable and convenient recommendations.

The capability of AI systems to produce the relevant recommendations and establish algorithmic trust stands as a decisive factor in the long-term customer

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ES (2026) 22, 3(S), 161-176| ISSN:1505-4683

relationships in the digital ecosystem where the rivalry between the platforms is a significant issue. Thus, the model indicates that both the perceived relevance and algorithmic trust affect the behavioural outcomes of consumers, and privacy concerns determine the intensity of the associations.

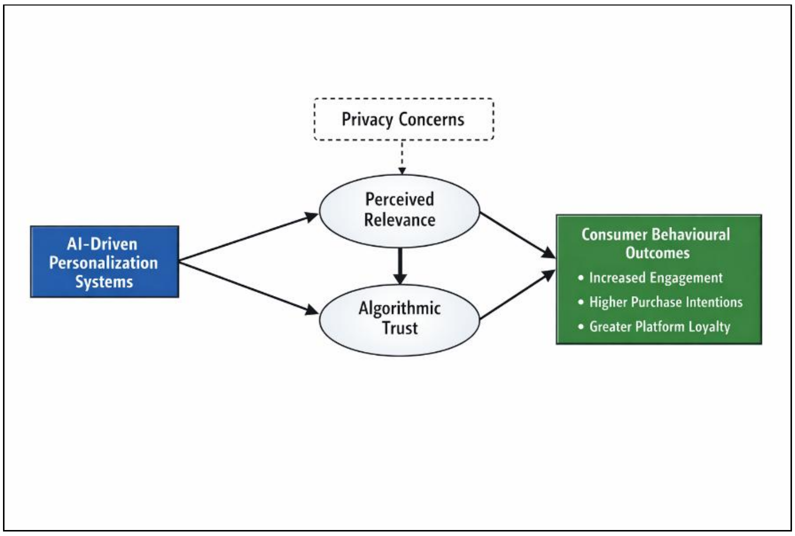

Figure IV: Conceptual Framework (developed by author)

Overall, it can be concluded that the suggested conceptual framework proposes that the system of AI-based personalization shapes the consumer behavioural outcomes based on the mediating content of perceived relevance and algorithmic trust with privacy concerns mediate the success of this mechanism. In a situation where the personalization system that provides meaningful recommendations and builds the trustworthiness of the algorithms, consumers will be more predisposed to the digital platform, gain purchase intention, and experience long-term loyalty. Combining technological, psychological, and privacy-related aspects, this framework offers a thorough explanation of the impact, which AI-enabled personalization has on the consumer decision-making in online spaces.

6. Theoretical and Managerial Implications

The study adds to the literature by merging the technological insights into the development of artificial intelligence with the consumer behaviour theories. It brings together the knowledge of various research fields to provide an all-inclusive framework that describes the power of algorithmic personalization on consumer perception and behavioural consequences.

As a manager, the results emphasize the need to develop personalization systems that are efficient and balanced concerning technology and ethical aspects of transparency and privacy. To build trust through algorithmic decision-making systems, organizations are to make sure that people know how their information is utilized and offer mechanisms that increase trust on the system.

7. Conclusion

Artificial intelligence-based personalization has been one of the characteristics of modern digital marketing practices. Even though technologies have enabled firms to provide highly personalised experience, a research problem of the impact of the systems on behaviour remains a significant concern that is of interest to research. The research paper will be part of the existing research on AI-driven marketing systems by providing a systematic review of the currently existing scholarly literature and presenting a conceptual framework of the connections between personalization technologies and the consumer behaviour outcomes.

The empirical verification of the suggested framework and the evaluation of the influence of different types of personalization technologies on consumer attitudes in other digital platforms should be carried out in the future.

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