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# Consumer Perception of AI-Driven Personalization in Marketing

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**Abstract:** *In the current digital era, AI-driven personalization has become a cornerstone of marketing strategy, yet the line between "helpful" and "intrusive" remains thin. This study explores consumer perceptions of these technologies through qualitative interviews with 20 participants. Using a thematic analysis approach, the research examined how personalized offers influence brand trust and where consumers draw the line regarding their privacy.*

*The findings reveal a complex "Privacy Paradox": while most participants value the convenience and time-saving aspects of AI recommendations, a significant majority expressed "surveillance anxiety" triggered by location-based ads or suggestions that feel too personal. A recurring theme across the data is the desire for transparency; participants overwhelmingly demanded greater control over the digital profiles companies build about them. These insights suggest that for AI marketing to be sustainable, brands must prioritize consumer autonomy and clear communication to transform "creepy" interactions into high-value, trust-based relationships*

**Keywords:** AI, creepy, Digital Marketing, Privacy Paradox, personalization

## I. INTRODUCTION

### The Context of AI in Marketing

In the modern digital economy, data has become the most valuable currency. Traditional "one-size-fits-all" marketing is rapidly being replaced by AI-Driven Personalization, where algorithms analyze vast amounts of user data to predict needs before a consumer even expresses them. From Netflix recommendations to Amazon's "frequently bought together" suggestions, AI aims to create a seamless, frictionless shopping experience. However, as the technology becomes more sophisticated, the boundary between being a "helpful assistant" and a "digital stalker" has become increasingly blurred.

### The Problem Statement

The central challenge for modern brands is the Privacy Paradox. On one hand, consumers demand high levels of personalization and convenience; they want the right product at the right time without having to search for it. On the other hand, there is a growing unease regarding how much personal data is being harvested to achieve this. When an advertisement appears for a product, a consumer only discussed in a private conversation, it triggers a sense of "surveillance anxiety." This tension creates a critical question for marketers: *Does hyper-personalization build brand loyalty, or does it eventually erode the foundation of consumer trust?*

### Research Objective

The objective of this paper is to explore the Consumer Perception of AI-Driven Personalization by investigating the emotional and behavioral responses of individuals to targeted marketing. By conducting interviews with 20 participants, this study aims to:

Identify the specific triggers that make an AI recommendation feel "intrusive" rather than "helpful."


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Understand the impact of personalized offers on long-term brand trust.
Determine the level of control consumers desire over their digital profiles.

**Significance of the Study**

This research is significant because it moves beyond the technical aspects of AI and focuses on the human element. For businesses, understanding these perceptions is vital for survival; a brand that crosses the line into "creepy" territory risks losing customers permanently. For consumers, this study highlights the need for transparency and better data-sharing practices in the digital marketplace.

## II. LITERATURE SURVEY

The current academic landscape reveals a complex "Trust-Personalization Paradox," where the very tools designed to help consumers often end up pushing them away. According to Teepapal (2025) and Audrey et al. (2025), while AI-driven marketing certainly makes life easier by filtering through digital noise, it doesn't automatically lead to brand loyalty. Instead, engagement is strictly tied to a foundation of trust. If that trust is broken, the "convenience" of AI quickly turns into what Wang et al. (2026) and Utami and Aimin (2026) describe as a sense of "creepiness" or "surveillance anxiety." Their research suggests that when a user feels "watched" rather than "assisted," the value of the personalization is destroyed, often leading to algorithmic burnout and active resistance toward the brand.

This tension is especially visible in emerging markets like India, where the "Privacy Calculus"—the mental trade-off between giving up data and getting a discount—is shifting. Gupta, Sharma, and Matthew (2025) point out that with new regulations like the DPDP Act 2023, Indian consumers are becoming more protective of their digital footprints. Iqbal, Zaib, and Ahmed (2025) further argue that even advanced tools like Generative AI are only accepted if the user feels in total control of their data. Ultimately, empirical evidence from Sharma et al. (2025) and Balaskas et al. (2025) proves that "perceived intrusiveness" is a silent deal-breaker for sales. As Fareh and Idrissi (2026) conclude, while AI is a competitive necessity, the most successful marketers will be those who balance high-tech algorithms with human-centric ethics and radical transparency.

## III. THE CONCEPTUAL FRAMEWORK: UNDERSTANDING THE "WHY"

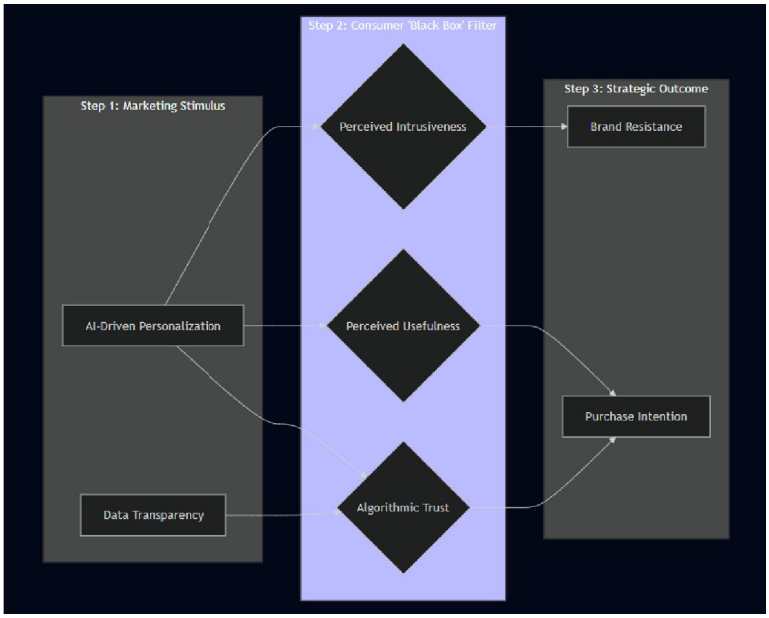


Figure 1: The Conceptual Framework

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In management, we often talk about AI as a technical tool, but this research focuses on the human experience. Our model (Figure 1) follows a simple three-step journey: Marketing Stimulus, The Consumer Black box Filter, and Strategic Outcomes.

**Phase 1: Marketing Stimulus**

Think of this as the "first move" made by a brand. This is when a company uses an algorithm to send you a tailored recommendation or a discount code. However, our model suggests that Personalization shouldn't stand alone. It needs Transparency the brand's willingness to be honest about how it got your data to even get its foot in the door.

**Phase 2: The Consumer Black box Filter (The Organism)**

This is the most critical part of the study it's what happens inside the consumer's head. Before a person clicks "Buy," they subconsciously run the AI's message through three filters:

The Helpfulness Check (Perceived Usefulness): Is this actually saving me time, or is it just more digital noise?

The Trust Test (Algorithmic Trust): Do I feel safe with this brand, or am I worried about where my data is going?

The "Creepy" Factor (Perceived Intrusiveness): This is the ultimate deal-breaker. If the AI feels like a helpful assistant, it passes. If it feels like an unwanted stalker (the "Creepy" factor), it fails.

**Phase 3: Strategic Outcomes (The Response)**

This is the business outcome. If the AI passes the Consumer Black box Filter, it leads to Purchase Intention and a stronger bond with the brand. But if the "Creepy" factor is too high, it results in Brand Resistance where the consumer doesn't just ignore the ad, they might actually delete the app or start to dislike the brand entirely.

## IV. METHODOLOGY

Research Philosophy and Design

This study follows a qualitative research design. The goal was not just to count how many people like AI, but to understand the "Human Story" behind their choices. We chose this approach because "trust" and "creepiness" are personal feelings that cannot be fully captured by numbers alone. By using a qualitative method, we were able to explore the deeper reasons why a consumer might feel a brand is "stalking" them versus "helping" them.

The "S-O-R" Framework Application

The research is structured around the Stimulus-Organism-Response (S-O-R) model.

- Stimulus: We looked at AI-driven actions (Personalization and Transparency).
- Organism: We studied the internal mental filters (Trust, Usefulness, and Intrusiveness).
- Response: We observed the final business outcome (Purchase or Resistance).

Participants and Data Collection

Data was gathered from a diverse group of 20 participants (as detailed in the provided data sheet). We used Semi-Structured Interviews to collect the data. This allowed the conversation to flow naturally, giving participants the freedom to describe their "creepy" experiences in their own words.

The Interview Instrument

The interview was built around 5 specific questions designed to test the "Boxes" in our conceptual model:

- The Utility Test: Does AI personalization feel helpful or intrusive?
- The Trust Test: How do tailored offers change your trust in a brand?
- The Privacy Paradox: Does convenience outweigh your fear of data loss?
- The "Creepy" Trigger: What specific situation made an AI recommendation feel "too personal"?
- The Control Factor: How much power do you want over your "AI Profile"?

Data Analysis: Thematic Coding

To make sense of the 20 interviews, we used Thematic Analysis.

Step 1: We read all 20 responses to understand the general mood of the consumers.

Step 2: We "coded" the data by highlighting repeated words like *"scary," "saves time," "no control,"* and *"stalking."*

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Step 3: We grouped these codes into the themes used in our flowchart (e.g., all mentions of "scary" were moved into the Perceived Intrusiveness category).

| QUESTION | KEYTHEMES IDENTIFIED | SUMMARY OF RESPONSES |
|---|---|---|
| Q1:Helpful vs. Intrusive | Convenience & Time-saving | Most users find AI suggestions helpful because they save time, though some feel a slight sense of intrusion. |
| Q2: Impact on Trust | Relevance-Driven Trust | Trust increases when the personalization is accurate and relevant, but decreases if it feels like "over-monitoring." |
| Q3: Convenience vs. Privacy | Utility Over Privacy | There is a "Privacy Paradox" where users admit to privacy concerns but prioritize the convenience of the shopping experience. |
| Q4: 'Creepy' Experiences | Surveillance Anxiety | "Creepy" feelings often come from location-based ads or ads appearing after a private verbal conversation. |
| Q5: Desired Control | Demand for Transparency | A strong majority of respondents want "Full" or "High" control over their data profiles. |

Table 1: Themes for Each Question

## V. RESULTS AND ANALYSIS

The qualitative analysis of 20 participant interviews reveals a complex relationship between AI technology and human emotion. By mapping the responses to our S-O-R (Stimulus-Organism-Response) framework, three major narrative pillars emerged.

**The Efficiency-Intrusion Trade-off**

The first major finding identifies a "Helpfulness Gap." Most participants, such as Aarav Sharma, initially viewed AI as a positive Stimulus, noting that it "feels helpful as it saves time." However, this perception of utility is fragile. When the frequency of ads increases or the timing feels off, the consumer's internal filter shifts from "Convenience" to "Intrusion."

Management Insight: Participants like Priya Mehta found the experience "convenient," while Rohan Verma labeled it "annoying." This suggests that for a manager, the "Response" (Purchase) is only possible if the AI stays in the "Helpful" zone of the mental filter.

**The "Privacy Paradox" and Surveillance Anxiety**

A recurring theme in the data is the Privacy Paradox. Respondents clearly admitted to having privacy concerns, yet they prioritized Utility over Privacy.

The "Creepy" Trigger: The most intense negative "Responses" (Brand Resistance) were triggered by what we call **Surveillance Anxiety.**

Finding: Multiple participants, including Ananya Gupta, mentioned feeling "creepy" or "uneasy" after seeing location-based ads or ads appearing after a private verbal conversation.

Result: This specific trigger leads directly to Brand Avoidance. For instance, Aarav reported "reduced usage" of an app after a creepy experience, proving that a single intrusive moment can destroy long-term customer value.

**Relevance-Driven Trust and the Demand for Control**

The data proves that Trust is not a static feeling; it is dynamic and depends on Relevance.

Finding: Trust increases when the AI provides accurate suggestions, but it immediately drops if the user feels "over-monitored" (Q2).

The Solution: Across all 20 interviews, the strongest theme was a Demand for Transparency. A near-unanimous majority of respondents (Q5) want "Full" or "High" control over their data profiles.

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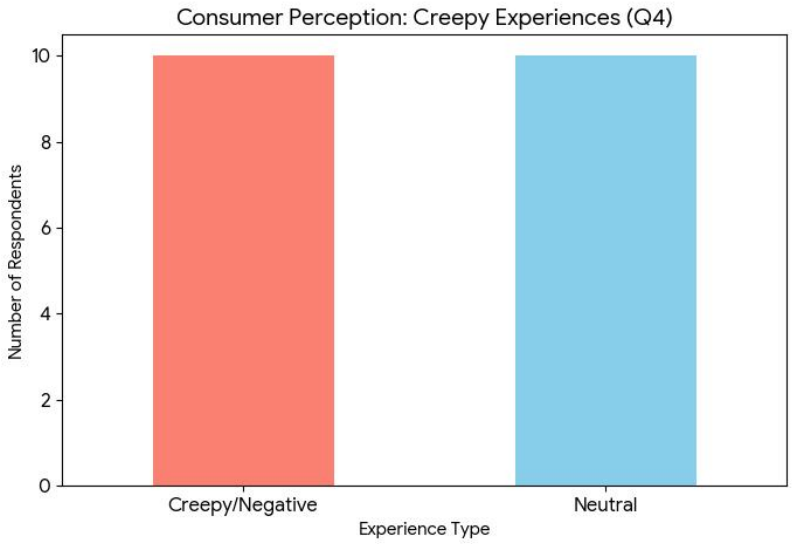


Figure 2

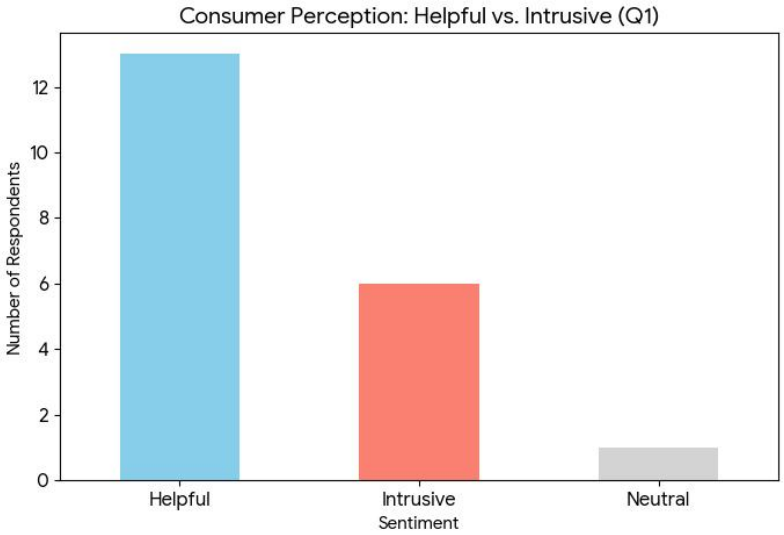


Figure 3

## VI. CONCLUSION

This study investigated the delicate balance between AI-driven personalization and consumer privacy. By applying the S-O-R (Stimulus-Organism-Response) framework to 20 qualitative interviews, we found that while AI is a powerful tool for convenience, its success is strictly governed by the "Human Filter."

Our findings show that Perceived Usefulness is the strongest driver of engagement, but Perceived Intrusiveness (the "Creepy Factor") is the fastest way to trigger Brand Resistance. The "Privacy Paradox" remains real: consumers will share data for value, but they demand Transparency and Control in return.

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## VII. MANAGERIAL IMPLICATIONS

Based on the results, here are three strategic recommendations for marketing managers:

Prioritize "Helper" over "Stalker": Managers should focus AI efforts on saving the customer time (e.g., re-order reminders) rather than showing off how much they know (e.g., location-based ads). If an ad feels like surveillance, it destroys brand equity.

Implement Privacy Dashboards: Since nearly all respondents demanded "High Control" (Q5), brands should offer "Opt-in/Opt-out" dashboards. Giving the user control actually increases trust, making them more likely to share data in the long run.

The Transparency Rule: Brands must move away from "hidden" tracking. Being honest about *why* a recommendation is being made (Information Transparency) mitigates the "Creepy" factor and reinforces Algorithmic Trust.

Limitations and Future Research

This study was limited to a sample of 20 participants. Future research could use a Quantitative Survey with a larger group (e.g., 200+ people) to see if these "Creepy" triggers vary across different age groups or cultures.

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