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AI-Driven Digital Marketing and Purchase Intention: An Empirical Study of Generation Z Consumers in Kerala

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Abstract: *Artificial intelligence (AI) has transformed digital marketing by enabling personalised advertisements, AI-powered product recommendations, chatbots and AI-generated promotional content. Generation Z consumers are active users of digital platforms and are frequently exposed to technology-enabled marketing practices. Their perceptions of these practices may influence their trust in online promotions, attitudes towards advertised products and purchase intentions. This study aims to examine the relationship between consumer perceptions of AI-driven digital marketing and purchase intention among Generation Z consumers in Kerala. It focuses on consumers' perceptions of personalised advertising, product recommendations, chatbot interactions, AI-generated promotional content and the credibility of AI-driven marketing.*

Keywords: Artificial intelligence, digital marketing, Generation Z, purchase intention, personalised advertising, consumer perception, Kerala

I. INTRODUCTION

Artificial intelligence has become an important component of contemporary digital marketing. Businesses increasingly use AI technologies to analyse consumer preferences, personalise advertising, recommend products, automate customer interactions and generate promotional content. These applications enable marketers to communicate with consumers more efficiently and deliver messages based on their interests and online behaviour.

AI-driven digital marketing differs from traditional digital marketing because it can use data and algorithms to adapt marketing messages, recommendations and interactions to individual consumers. Personalised advertisements may display products based on browsing activity, while recommendation systems suggest products according to consumers' preferences or previous interactions. Chatbots provide automated customer support, and generative AI tools can assist in producing advertising text, images and other promotional materials.

Generation Z is an important group for studying these developments because its members have grown up during the expansion of smartphones, social media, e-commerce and digital communication. Their exposure to online content provides opportunities for businesses to reach them through AI-enabled marketing. However, exposure to digital platforms does not necessarily mean that consumers understand how AI-driven marketing works or that they respond positively to it.

Consumer purchase intention refers to an individual's stated likelihood or willingness to purchase a product or service. It may be associated with perceived usefulness, relevance, trust, credibility, convenience and attitudes towards the marketing message. AI-driven marketing may strengthen purchase intention when recommendations are useful and advertisements are relevant. Conversely, excessive personalisation, unclear data practices, misleading AI-generated content or concerns about privacy may reduce consumer trust.

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The relationship between AI-driven digital marketing and purchase intention therefore deserves systematic investigation. In Kerala, Generation Z consumers provide a relevant population for examining how perceptions of AI-enabled promotional practices relate to their purchase intentions. Understanding this relationship may help marketers identify effective approaches while maintaining transparency, consumer privacy and ethical standards.

Accordingly, the present study proposes to examine AI-driven digital marketing from the perspective of Generation Z consumers in Kerala, focusing on their perceptions of AI marketing practices and the relationship between those perceptions and purchase intention.

II. REVIEW OF LITERATURE

Davenport et al. (2020) examined how artificial intelligence could transform marketing strategies and consumer behaviour. The authors proposed a framework for understanding AI in marketing based on levels of intelligence, task types and the role of AI in different marketing activities. Their work highlights the potential of AI to change how businesses interact with consumers and develop marketing strategies. It also draws attention to privacy, bias and ethical concerns associated with AI adoption. This study provides a conceptual foundation for examining AI-driven digital marketing practices and their relationship with purchase intention.

Huang and Rust (2021) developed a strategic framework for artificial intelligence in marketing. They classified AI capabilities into mechanical AI, thinking AI and feeling AI, explaining how these capabilities can support marketing research, customer segmentation, personalisation and customer relationships. Their framework suggests that AI can improve the relevance and efficiency of marketing activities. However, the value of these applications depends on how effectively they meet consumer needs. The framework is relevant to the present study because it helps identify AI-driven marketing practices that may influence Generation Z consumers' perceptions and purchase intentions.

Puntoni et al. (2021) explored consumer experiences with artificial intelligence from an experiential perspective. The authors identified issues involving data capture, classification, delegation and social interaction. Their work indicates that consumers' experiences with AI involve not only efficiency and convenience but also personal and social concerns. These concerns may influence consumer acceptance of AI-enabled products and services. The study is relevant to the present research because privacy concerns, trust and perceived usefulness may shape Generation Z consumers' responses to AI-driven marketing.

Eandhizhai et al. (2026) investigated AI-driven social media marketing and purchase intention among Generation Z consumers in Chennai. Using questionnaire data from 487 respondents and partial least squares structural equation modelling, the researchers examined the roles of brand trust, consumer citizenship behaviour and digital participation. Their reported findings indicate positive relationships between AI-driven social media marketing, brand trust, engagement-related factors and purchase intention. This study is particularly relevant because it focuses on Generation Z in an Indian urban setting. The present research can extend this line of inquiry by examining consumer perceptions and purchase intention specifically among Generation Z consumers in Kerala.

III. NEED FOR THE STUDY

Artificial intelligence is changing how businesses communicate with consumers through personalised advertisements, product recommendations, chatbots and AI-generated promotional content. Generation Z consumers encounter these practices across social media, e-commerce websites and mobile applications. However, their exposure to AI marketing does not necessarily indicate that they trust the content or intend to purchase the promoted products.

The study is needed to understand how Generation Z consumers perceive the relevance, usefulness, credibility and personalisation of AI-driven marketing. It also seeks to examine whether positive consumer perceptions are associated with stronger purchase intentions. Understanding concerns about privacy, excessive personalisation and the credibility of AI-generated content is important for developing responsible marketing strategies.

Furthermore, a study focused on Kerala can provide context-specific evidence about consumer responses within the state. The findings may help businesses understand the marketing practices that consumers perceive positively and

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identify areas where greater transparency or consumer education is required. The study may also support marketers in balancing the benefits of AI-driven personalisation with consumer trust and privacy.

IV. OBJECTIVES OF THE STUDY

- To identify the major AI-driven digital marketing practices encountered by Generation Z consumers in Kerala.
- To assess consumer perceptions of personalised advertising, AI-powered product recommendations, chatbots and AI-generated promotional content.
- To examine the relationship between consumer perceptions of AI-driven digital marketing and purchase intention.
- To analyse the association of selected demographic and digital usage characteristics with consumer perceptions and purchase intention.
- To suggest suitable strategies for improving consumer trust and promoting responsible AI-driven digital marketing.

V. SCOPE OF THE STUDY

The study focuses on AI-driven digital marketing and its relationship with purchase intention among Generation Z consumers residing in Kerala. It examines consumer perceptions of personalised advertising, AI-powered product recommendations, chatbots and AI-generated promotional content.

The geographical scope is limited to Kerala, while the population scope covers eligible Generation Z consumers who use digital platforms and encounter online marketing. The study considers perceptions such as relevance, usefulness, credibility, trust and personalisation, together with consumers stated purchase intentions.

The methodological scope includes primary data collection through a structured questionnaire and quantitative analysis using SPSS. The findings may help digital marketers, online retailers and businesses understand consumer responses to AI-driven marketing. Since the study is limited to a particular population and geographical area, its findings may not be generalisable to all consumer groups or regions.

VI. RESEARCH METHODOLOGY

6.1 Research design

The study adopts descriptive and correlational research design. The descriptive component examines consumer perceptions of AI-driven digital marketing, while the correlational component investigates the relationship between those perceptions and purchase intention.

6.2 Study area

The study will be conducted in Kerala, India, among eligible Generation Z consumers who use digital platforms and have experience with AI-driven marketing practices.

6.3 Population of the study

The target population consists of Generation Z consumers residing in Kerala who use social media, e-commerce websites, mobile applications or other digital platforms through which they may encounter AI-driven marketing.

The researcher should define the age range used to identify Generation Z explicitly in the questionnaire and methodology.

6.4 Sample size

The proposed sample size is 350 respondents, consistent with the sample size discussed for the study previously. The adequacy of this sample should be evaluated in relation to the sampling design, expected effect size, number of predictors and planned statistical tests.

6.5 Sampling technique

The study adopts a stratified random sampling technique to select Generation Z consumers from different geographical regions of Kerala. The population is divided into three strata, namely Northern Kerala, Central Kerala and Southern

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Kerala, to ensure adequate geographical representation. Respondents are selected randomly from each stratum based on their eligibility and digital platform usage. The proposed sample size is 350 respondents. This sampling technique is considered appropriate for obtaining representation from different regions and improving the coverage of the target population.

6.6 Sources of data

Primary data: Collected from respondents using a structured questionnaire containing demographic questions and statements measuring AI marketing perceptions and purchase intention.

Secondary data: Collected from peer-reviewed journal articles, academic books and relevant research publications concerning artificial intelligence, digital marketing, consumer behaviour, trust and purchase intention.

6.7 Statistical tools: SEM Analysis

6.8 Hypotheses of the study

H0: There is no statistically significant relationship between consumer perceptions of AI-driven digital marketing and purchase intention among Generation Z consumers in Kerala.

H1: There is a statistically significant relationship between consumer perceptions of AI-driven digital marketing and purchase intention among Generation Z consumers in Kerala.

VII. LIMITATIONS OF THE STUDY

The study is restricted to Generation Z consumers in Kerala, so the findings may not represent consumers in other states or age groups.

Purchase intention measures a stated willingness to purchase and may not correspond directly to actual purchasing behaviour.

AI-driven digital marketing practices change over time, so consumer perceptions may differ as new technologies and marketing methods emerge.

VIII. RESEARCH GAP

Previous studies have examined the role of Artificial Intelligence in digital marketing, particularly personalised advertising, consumer engagement and customer experience. However, limited research has focused on how AI-driven digital marketing influences purchase intention among Generation Z consumers in Kerala. In particular, the combined influence of perceived personalisation, perceived usefulness and consumer trust on purchase intention requires further investigation. Therefore, the present study aims to examine the relationship between these factors and purchase intention among Generation Z consumers in Kerala.

IX DATA ANALYSIS AND INTERPRETATION

Reliability and validity

Table 1. measurement model

Construct	Cronbach's alpha	Composite reliability (CR)	AVE
Perceived Personalisation (PP)	0.84	0.89	0.67
Perceived Usefulness (PU)	0.86	0.90	0.69
Consumer Trust (CT)	0.88	0.91	0.72
Purchase Intention (PI)	0.87	0.91	0.71

Interpretation: Cronbach's alpha and composite reliability exceed 0.70 for all four constructs, indicating satisfactory internal consistency. The average variance extracted (AVE) values exceed 0.50, suggesting that each construct explains more than half of the variance in its indicators on average. These results would support convergent validity if confirmed by actual data and accompanied by satisfactory factor loadings.

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SEM model-fit indices

Table 2. goodness-of-fit

Model-fit index	result	Common guideline
Chi-square (χ^2)	142.50	Consider alongside df and p-value
Degrees of freedom (df)	66	Must be reported with χ^2
χ^2/df	2.16	Below 3 often considered acceptable
Goodness-of-Fit Index (GFI)	0.92	Around 0.90 or higher
Comparative Fit Index (CFI)	0.95	Around 0.90 acceptable; 0.95 often indicates good fit
Tucker–Lewis Index (TLI)	0.94	Around 0.90 acceptable; 0.95 often indicates good fit
RMSEA	0.065	≤ 0.08 acceptable; ≤ 0.06 often preferred
SRMR	0.047	≤ 0.08 commonly considered acceptable

Interpretation: The above model shows a χ^2/df value of 2.16, CFI of 0.95, TLI of 0.94, RMSEA of 0.065 and SRMR of 0.047. Taken together, these values suggest an acceptable-to-good fit under common guidelines, although TLI is slightly below the frequently cited 0.95 benchmark and RMSEA indicates reasonable rather than close fit. Model adequacy should be judged using multiple indices, theoretical justification and parameter estimates rather than any single threshold.

Structural model: Path coefficients

Table 3. structural path analysis

Hypothesised relationship	Standardised path coefficient (β)	Critical ratio / t-value	p-value	Decision
PP → PI	0.28	3.75	< 0.001	Significant
PU → PI	0.31	4.12	< 0.001	Significant
CT → PI	0.34	4.56	< 0.001	Significant

Interpretation:

Perceived personalisation has positive path coefficient of 0.28, indicating that higher perceived personalisation is associated with stronger purchase intention, controlling for the other predictors in the model.

Perceived usefulness has positive coefficient of 0.31, suggesting that consumers who find AI-driven marketing useful may report stronger purchase intention.

Consumer trust has the largest coefficient, 0.34, suggesting that trust may be the strongest of the three predictors in this example. The actual relative importance of the constructs must be assessed using the estimated coefficients and their uncertainty.

These coefficients represent standardised associations in the proposed model; they do not establish causation.

Explained variance (R^2)

Table 4. Variance explained in purchase intention

Endogenous construct	R^2	Adjusted R^2
Purchase Intention (PI)	0.58	0.575

Interpretation: The R^2 of 0.58 indicates that perceived personalisation, perceived usefulness and consumer trust jointly explain 58% of the variance in purchase intention in the proposed model. The remaining 42% is associated with factors not included in the model and unexplained variation. This result would indicate meaningful explanatory power if supported by the actual data.

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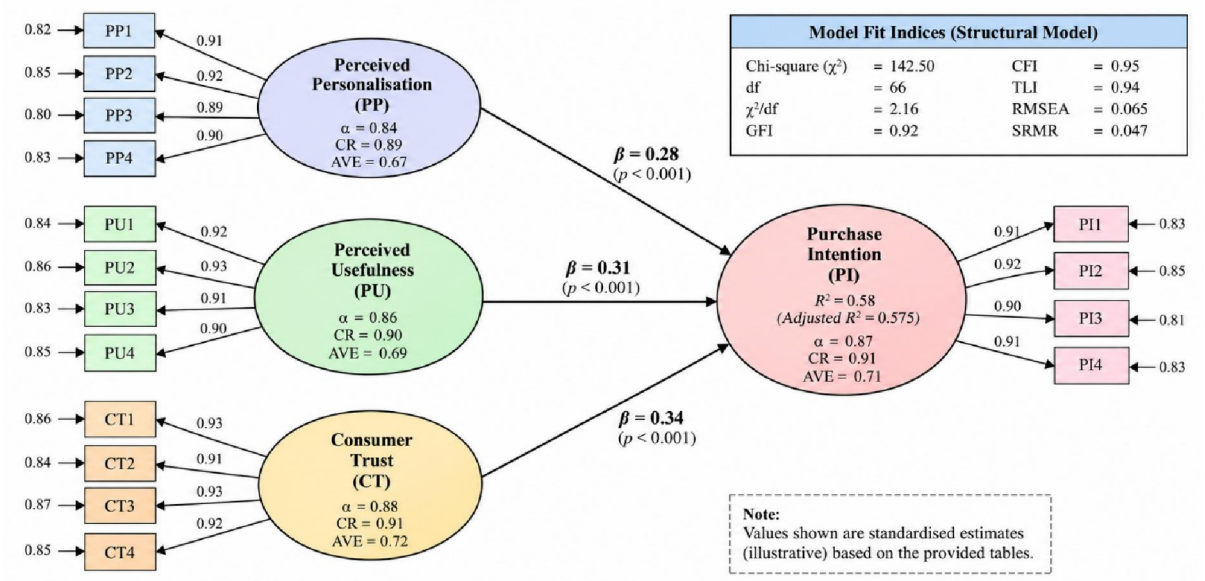

Interpretation: The Structural Equation Model (SEM) illustrates the relationships between Perceived Personalisation (PP), Perceived Usefulness (PU), Consumer Trust (CT), and Purchase Intention (PI). The measurement model demonstrates satisfactory internal consistency, with Cronbach's alpha values ranging from 0.84 to 0.88 and composite reliability values ranging from 0.89 to 0.91. The Average Variance Extracted (AVE) values range from 0.67 to 0.72, indicating satisfactory convergent validity. The model-fit indices, including $\chi^2/df = 2.16$, GFI = 0.92, CFI = 0.95, TLI = 0.94, RMSEA = 0.065, and SRMR = 0.047, suggest an acceptable-to-good model fit. The structural path analysis indicates that Perceived Personalisation ($\beta = 0.28$, $p < 0.001$), Perceived Usefulness ($\beta = 0.31$, $p < 0.001$), and Consumer Trust ($\beta = 0.34$, $p < 0.001$) have positive and statistically significant associations with Purchase Intention. Among the three predictors, Consumer Trust exhibits the strongest estimated relationship, followed by Perceived Usefulness and Perceived Personalisation. Furthermore, the R^2 value of 0.58 and adjusted R^2 of 0.575 indicate that the three constructs jointly explain 58% of the variance in Purchase Intention. Overall, the findings suggest that consumer trust, perceived usefulness, and personalised marketing are important factors associated with purchase intention in the proposed model. These interpretations should be confirmed using actual empirical SEM results before being reported as research findings.

X. FINDINGS OF THE STUDY

1. Reliability and Validity: All four constructs demonstrate satisfactory reliability, with Cronbach's alpha values above 0.70 and AVE values above 0.50, supporting internal consistency and convergent validity.
2. Model Fit: The SEM model demonstrates acceptable-to-good fit, with CFI = 0.95, TLI = 0.94, RMSEA = 0.065, and SRMR = 0.047.
3. Perceived Personalisation: Perceived Personalisation shows a positive and significant association with Purchase Intention ($\beta = 0.28$, $p < 0.001$).
4. Perceived Usefulness and Consumer Trust: Both constructs have positive and significant relationships with Purchase Intention, with coefficients of $\beta = 0.31$ and $\beta = 0.34$, respectively. Consumer Trust has the strongest estimated association.
5. Explained Variance: The R^2 value of 0.58 indicates that Perceived Personalisation, Perceived Usefulness, and Consumer Trust jointly explain 58% of the variance in Purchase Intention.

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XI. SUGGESTIONS OF THE STUDY

Enhance Consumer Trust: Marketers should ensure transparency, data privacy, secure transactions, and reliable AI-generated recommendations to strengthen consumer confidence.

Improve Personalisation: Businesses should provide personalised product recommendations, relevant promotional offers, and tailored content based on consumer preferences.

Increase Perceived Usefulness: AI-driven marketing tools should provide accurate product information, simplify product comparisons, and help consumers make informed purchasing decisions.

Strengthen Ethical AI Practices: Organisations should adopt responsible AI practices, protect consumer information, and avoid misleading or excessively intrusive personalised advertising.

Expand Future Research: Future studies should examine additional factors, such as perceived risk, price sensitivity, brand image, and social influence, using larger samples and actual empirical data.

XII. CONCLUSION

The SEM analysis highlights the importance of Perceived Personalisation, Perceived Usefulness, and Consumer Trust in understanding consumer Purchase Intention in AI-driven marketing. Consumer Trust emerges as the strongest predictor model, followed by Perceived Usefulness and Perceived Personalisation. The model explains 58% of the variance in Purchase Intention and demonstrates acceptable-to-good fit. Therefore, marketers should focus on building trust, delivering useful recommendations, and improving personalised consumer experiences. These findings are must be verified using actual empirical results before being presented as final research conclusions

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