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The Role Of Consumer Trust In Ai-Driven Personalized Marketing And Purchase Decisions

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Abstract

This study examines the role of AI-Driven Consumer Trust in mediating the relationship between AI-Driven Personalized Marketing and Consumer Decision-Making among Generation Z consumers in Makassar, Indonesia. A quantitative explanatory design was employed, and data were collected from 128 respondents using purposive sampling. The data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM). The findings indicate that AI-driven personalized marketing significantly influences consumer decision-making both directly and indirectly through consumer trust, confirming a partial mediating effect. These results suggest that while personalization enhances the relevance and effectiveness of marketing content, its impact on decision-making is strengthened when consumers develop trust in AI-based systems. Conversely, ethical and privacy implications were not found to have a significant direct effect on consumer decision-making. This finding implies that, within the Generation Z context, perceived practical benefits such as relevance and convenience tend to outweigh normative concerns related to data ethics and privacy. The study contributes to the literature by providing empirical evidence on the mediating role of trust in AI-driven marketing within an emerging market context.

Keywords: Artificial Intelligence, Consumer Decision-Making, Consumer Trust, Personalized Marketing, Privacy Implications

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INTRODUCTION

The development of artificial intelligence (AI) has transformed digital marketing practices through the implementation of algorithm-based personalization across social media and various digital platforms (Lim & Kim, 2025). AI enables firms to process large-scale consumer data to generate product recommendations, targeted advertisements, and content tailored to individual preferences (Sajan Vaidhyanathan, 2025). In this context, artificial intelligence extends beyond simple automation, operating as a decision-making system that shapes consumer experiences and directly influences consumer behavior (Alena, 2025).

The growing intensity of social media usage further amplifies the role of artificial intelligence in shaping consumer decision-making processes (Fan & Liu, 2022). AI-driven recommendation algorithms have been demonstrated to lower search costs and guide consumer attention toward specific products, ultimately increasing the effectiveness of marketing communication (Zhang & Wang, 2025). However, this effectiveness is not solely determined by technological sophistication; it also depends on how consumers evaluate and develop trust in the system employed (Nguyen, 2025).

In this context, consumer trust emerges as a central determinant of the extent to which consumers accept and respond to AI-driven recommendations (Aimé et al., 2022). Several studies indicate that trust plays a psychological role in bridging the relationship between personalization and behavioral responses, including purchase decisions (Ameen et al., 2021). Nevertheless, empirical evidence specifically examining the mediating role of trust in the relationship between AI-driven personalized marketing and consumer decision-making among Generation Z in developing countries remains limited (Srivastava & Gurme, 2026).

In addition to trust-related concerns, the growing use of consumer data within AI-driven systems has generated significant ethical and privacy implications (Gegen et al., 2026). Concerns regarding algorithmic transparency and data security may influence consumers' attitudes and their level of trust toward digital platforms (Nath, 2025). As digital natives, Generation Z experiences extensive exposure to social media algorithms and AI-driven personalization, positioning them as a relevant cohort for investigating these dynamics (Mariyamah, 2025). Within the Indonesian context, Makassar City, characterized by its rapid digital infrastructure development, offers a representative empirical setting for examining digital consumer behavior while maintaining the broader theoretical relevance of the tested model (Hastuti, 2025).

Previous research has demonstrated that AI-driven personalization enhances consumer trust and purchase-related outcomes (Singhal et al., 2025). Other studies emphasize the psychological mechanisms underlying personalized recommendation systems and platform trust (Xu & Chen, 2025). In addition, research has highlighted the privacy–convenience trade-off among Generation Z in AI-enabled advertising contexts (Wang et al., 2023). However, empirical studies integrating AI-driven personalized marketing, consumer trust as a mediating mechanism, and ethical implications within a unified model in a developing country context remain limited. Therefore, further investigation is required to develop a more comprehensive understanding of how AI-driven personalization, trust, and ethical considerations interact in shaping consumer decision-making in emerging markets.

Drawing on the preceding discussion, this study seeks to examine the mediating role of consumer trust in the relationship between AI-driven personalized marketing and consumer decision-making, as well as to assess the impact of ethical and privacy implications on the purchase decisions of Generation Z consumers in Makassar, Indonesia. Utilizing partial least squares structural equation modeling, the study tests the proposed relationships simultaneously and aims to contribute to the theoretical advancement of AI-driven marketing literature while providing practical insights for the development of effective and responsible personalization strategies.

AI-Driven Personalized Marketing

AI-driven personalized marketing refers to the application of artificial intelligence-based algorithms to analyze consumer data and deliver marketing content tailored to individual preferences. Existing literature suggests that AI-based personalization enhances the relevance of information, reduces search costs, and improves overall user experience within digital environments (Huang & Rust, 2021). Several empirical studies have found that AI-based recommendation systems exert a positive influence on perceived value and purchase intention (Aoki & Matsui, 2025). Nevertheless, the effectiveness of personalization is not inherently linear. Prior research suggests that excessive or highly intrusive personalization can trigger perceptions of opacity, especially when consumers perceive limited control over the use of their personal data (Srivastava & Gurme, 2026).

Consumer Trust

Within digital marketing contexts, trust can be defined as consumers' confidence that a digital platform or system functions reliably, transparently, and in a manner that safeguards users' interests. Previous studies consistently highlight trust as a key determinant of technology acceptance and online purchasing behavior (Nath, 2025). Several studies argue that trust can mediate the relationship between technological stimuli and consumers' behavioral responses (Srivastava & Gurme, 2026). Nevertheless, the majority of prior research has examined trust within conventional e-commerce environments, rather than within autonomous and adaptive AI-driven systems. The self-learning and dynamically evolving nature of AI introduces additional layers of complexity in trust formation, as consumers must evaluate not only system reliability but also algorithmic autonomy and decision transparency (Singhal et al., 2025).

Ethical and Privacy Implication

The expanding use of consumer data in AI-driven systems has raised substantial ethical and privacy concerns (Choudhary, 2025). Concerns related to data security and algorithmic transparency can shape consumers' attitudes and significantly affect their level of trust in digital platforms (Avşar, 2025). Ethical and privacy concerns have been shown to exert a significant negative impact on consumer trust and directly influence consumer decision-making in AI-mediated contexts (Srivastava & Gurme, 2026).

Consumer Decision-Making Process

The consumer decision-making process comprises a sequence of stages, beginning with need recognition, followed by information search and evaluation of alternatives, and culminating in the purchase decision (Turki, 2025). In the digital era, this process is increasingly shaped by AI-driven recommendation systems that curate information flows and influence the formation of consumer preferences (Suleman, et al, 2025). Existing research suggests that digital technologies can expedite the decision-making process by reducing the complexity of available choices and streamlining information processing (Zhang & Wang, 2025). However, algorithm-driven decisions are not entirely rational in nature; they are also influenced by psychological factors, including trust and perceived risk (Gombar, 2025).

Development of Hypothesis

Drawing from the preceding theoretical discussion, AI-driven personalized marketing is posited to influence consumers' internal evaluations and subsequent behavioral responses. Specifically, personalization perceived as relevant and beneficial is likely to strengthen consumer trust, which in turn shapes decision-making processes (Srivastava & Gurme, 2026). Based on this reasoning, the following hypotheses are proposed:

H1: AI-driven personalized marketing positively influences consumer trust.

Trust constitutes a significant determinant in decision-making within digital environments. Consumers who exhibit higher levels of trust in AI systems tend to demonstrate greater confidence in accepting algorithm-generated recommendations and making purchase decisions (Xu & Chen, 2025).

H2: AI-driven consumer trust positively influences consumer decision-making.

Beyond its influence through trust, AI-driven personalization may also directly affect consumer decision-making. Relevant and accurately targeted recommendations can accelerate the evaluation of alternatives and increase the likelihood of a purchase decision (Srivastava & Gurme, 2026).

H3: AI-driven personalized marketing positively influences consumer decision-making.

On the other hand, consumers' perceptions of ethical and privacy implications related to the use of their data may shape their evaluations of AI systems and subsequently influence their decision-making processes (Avşar, 2025) .

H4: Ethical and privacy implications influence consumer decision-making.

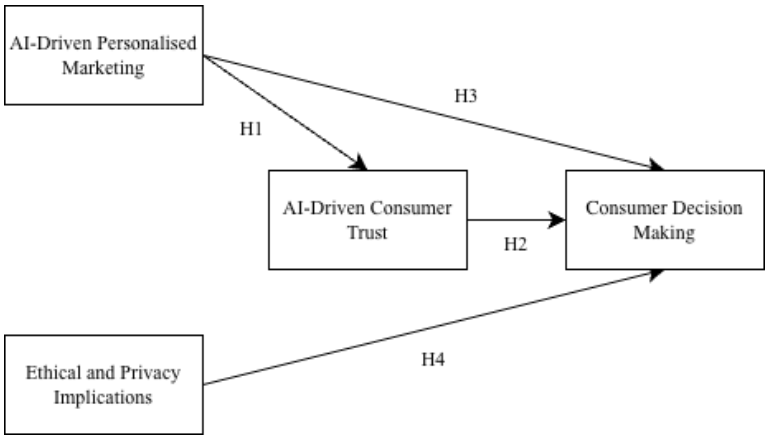

Fig 1. Conceptual framework of the study

This study adopts the core constructs examined in prior research Srivastava & Gurme (2026) on AI-driven personalization, consumer trust, and ethical–privacy considerations to ensure conceptual consistency and theoretical grounding. However, rather than replicating the original structural configuration, the present study re-specifies the relationships among these constructs to explicitly examine the mediating role of consumer trust within a structured causal framework. In particular, the model integrates direct and indirect pathways to provide a more comprehensive understanding of how AI-driven personalized marketing shapes consumer decision-making in an emerging market context. Thus, although the measurement foundations are informed by prior research, the proposed framework represents a theoretical extension and contextual refinement rather than a direct replication.

RESEARCH METHOD

Research Design

This study adopts a quantitative approach with an explanatory research design to examine the causal relationships among the constructs proposed in the research model. This approach is selected as the study seeks to analyze the effect of AI-driven personalized marketing on consumer decision-making, with consumer trust positioned as a mediating variable and ethical and privacy implications incorporated as an additional independent variable. Data analysis was conducted using Partial Least Squares–Structural Equation

Modeling (PLS-SEM), which is appropriate for testing structural models with relatively moderate sample sizes (Sarstedt et al., 2021).

Population and Sample

The population of this study consists of Generation Z individuals residing in Makassar City who actively use social media platforms that implement algorithm-based recommendation systems. In this research, Generation Z is defined as individuals born between 1997 and 2012, a cohort commonly characterized as digital natives with a high level of exposure to technology and AI-driven personalization (Mariyamah, 2025). The unit of analysis in this study is individual social media users who have previously received algorithm-based product recommendations or advertisements. A purposive sampling technique was employed, with the following inclusion criteria: (1) residing in Makassar City; (2) belonging to the Generation Z age cohort; and (3) actively using social media platforms that display AI-based content or recommendations in their daily activities. A total of 128 respondents met the specified criteria and were included in the final analysis. This sample size is considered adequate for PLS-SEM analysis based on the 10-times rule, which suggests that the minimum sample should be at least ten times the number of structural paths directed at the most complex construct in the model (Hair et al., 2021). In this study, the construct of consumer decision-making receives three structural paths, resulting in a minimum recommended sample size of 30 respondents based on the 10-times rule. Therefore, the total of 128 respondents exceeds the minimum requirement and is considered sufficient for conducting structural model analysis using PLS-SEM.

Data Collection Technique

Research data were collected through the online distribution of questionnaires to respondents who met the specified research criteria. The research instrument consisted of closed-ended statements measured using a four-point Likert scale ranging from 1 (strongly disagree) to 4 (strongly agree). The use of a four-point scale was intended to eliminate neutral responses and encourage respondents to provide more definitive evaluations of each statement. This approach is considered appropriate for reducing central tendency bias and enhancing the clarity of response interpretation within the context of digital consumer behavior research. The measurement items for each construct were adapted from prior validated studies Srivastava & Gurme, (2026) that are relevant and adapted to the context of AI-driven personalized marketing.

Measurement Variables

This study involves four main constructs, namely:

1. **AI-Driven Personalized Marketing**
   Measured through respondents' perceptions of the relevance, accuracy, and appropriateness of the AI-based recommendations they receive.
2. **AI-Driven Consumer Trust**
   Measured based on respondents' level of confidence in the reliability, security, and integrity of AI-driven marketing systems.
3. **Ethical and Privacy Implications**
   Measured through respondents' perceptions of data usage transparency, protection of personal information, and potential privacy risks.
4. **Consumer Decision-Making**

Measured using indicators that represent respondents' confidence, evaluation processes, and behavioral tendencies in making purchase decisions after receiving AI-based recommendations.

Data Analysis Technique

Data analysis was conducted using the PLS-SEM approach with the assistance of SmartPLS software. The model evaluation was carried out in two stages, namely the assessment of the measurement model and the assessment of the structural model (Shmueli et al., 2019). The evaluation of the outer model included the assessment of convergent validity (through outer loadings and Average Variance Extracted [AVE]), discriminant validity, and construct reliability (Composite Reliability) (Sarstedt et al., 2022). The evaluation of the inner model was conducted by analyzing the path coefficients, the coefficient of determination (R^2), and the significance of the relationships among variables using the bootstrapping procedure (Hair et al., 2021). In addition, the mediating effect of consumer trust was examined by analyzing the indirect effects and their corresponding levels of significance.

RESULTS AND DISCUSSION

Based on the descriptive analysis of 128 respondents, it can be observed that perceptions of AI-Driven Personalized Marketing fall within a high category. The overall mean score was 3.311 (on a 1–4 scale), with 93.11% of respondents indicating agreement or strong agreement with statements reflecting the relevance, accuracy, and usefulness of AI-based personalization. This finding suggests that the majority of respondents perceive personalized marketing content as aligned with their preferences and needs. For the AI-Driven Consumer Trust variable, the mean score was 2.638, with 60.43% of respondents expressing agreement or strong agreement. This indicates that although personalization levels are perceived as high, trust in AI systems remains at a moderate level and is not yet fully dominant. Regarding Ethical and Privacy Implications, the mean value was 3.120, with 80.79% of respondents agreeing or strongly agreeing on the importance of ethical considerations and data privacy in consumer data usage. This result suggests that respondents demonstrate relatively high awareness of privacy and data transparency issues. Meanwhile, the Consumer Decision-Making variable recorded the highest mean score of 3.386, with 93.96% of respondents agreeing or strongly agreeing that AI-based personalization facilitates and influences their decision-making process.

As a subsequent step, the measurement model was evaluated to assess construct validity and reliability. The results of the PLS Algorithm for the measurement model are presented in Figure 2.

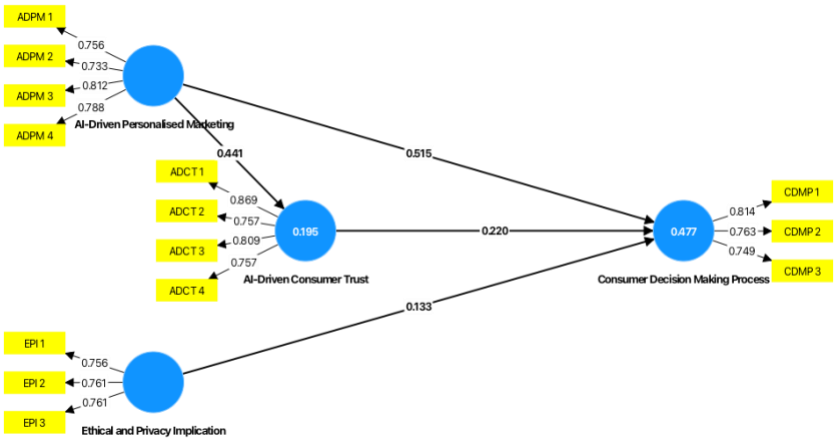

Fig 2. Result PLS Algorithm Measurement Model
Source: SmartPLS, 2026

Subsequently, convergent validity and reliability were examined using the Average Variance Extracted (AVE) and Composite Reliability (CR). The results are presented in Table 1.

Table 1. Result Validity and Reliability

Variable	AVE Value	CR Value
AI Driven Personalised Marketing	0.639	0.876
AI Driven Consumer Trust	0.598	0.856
Consumer Decision Making Process	0.602	0.819
Ethical and Privacy Implication	0.577	0.803

Source: SmartPLS, 2026

Following the assessment of convergent validity and reliability, the structural model was evaluated by examining the coefficient of determination (R^2). The R^2 values indicate the predictive accuracy of the model and the proportion of variance in the endogenous variables explained by their respective predictors. The results of the R^2 analysis are shown in Table 2.

Table 2. R Square Result

Endogen Variable	R Square Value
AI Driven Consumer Trust	0.195
Consumer Decision Making Process	0.477

Source: SmartPLS, 2026

The R^2 values indicate the explanatory power of the structural model. AI-Driven

Consumer Trust has an R^2 of 0.195, meaning that 19.5% of its variance is explained by AI-Driven Personalized Marketing, reflecting moderate explanatory power. Meanwhile, the R^2 for Consumer Decision-Making is 0.477, indicating that 47.7% of its variance is explained by AI-Driven Personalized Marketing, Consumer Trust, and Ethical and Privacy Implications. This suggests that the model demonstrates substantial predictive capability, particularly in explaining consumer decision-making among Generation Z.

To further assess the model's predictive accuracy, the Stone–Geisser's Q^2 value was calculated using the blindfolding procedure. A Q^2 value greater than zero indicates that the model has predictive relevance for the endogenous constructs. The results are presented in Table 3.

Table 3. Q Square Result

	SSO	SSE	Q2 (1-SSE/SSO)
AI Driven personalised Marketing	512.000	342.062	0.332
AI-Driven Consumer Trust	512.000	312.794	0.389
Consumer Decision Making Process	384.000	298.840	0.222
Ethical and Privacy Implication	384.000	319.546	0.168

Source: SmartPLS, 2026

The Q^2 values indicate the predictive relevance of the structural model. Since all Q^2 values exceed zero, the model demonstrates predictive capability for the endogenous constructs. AI-Driven Consumer Trust shows strong predictive relevance ($Q^2 = 0.389$), while Consumer Decision-Making exhibits moderate predictive relevance ($Q^2 = 0.222$). Overall, these results confirm that the model possesses adequate predictive quality in explaining the proposed relationships.

After confirming the model's explanatory and predictive capabilities through the R^2 and Q^2 evaluations, the next step is to assess the significance of the hypothesized relationships. This was conducted using the bootstrapping procedure to examine path coefficients, t-statistics, and p-values. The results of the bootstrapping analysis are presented in Table 4.

Table 4. Boostraping Result

Causality	Path Coefficient	T statistics	P values	Conclusion

H1	AI-Driven Personalised Marketing → AI-Driven Consumer Trust	0.441	6.939	0.000	Accepted
H2	AI-Driven Consumer Trust → Consumer Decision Making Process	0.218	2.945	0.003	Accepted
H3	AI Driven personalised Marketing → Consumer Decision Making Process	0.515	6.816	0.000	Accepted
H4	Ethical and Privacy Implication → Consumer Decision Making Process	0.146	1.693	0.091	Rejected
Indirect Effect	AI-Driven Personalized Marketing → AI-Driven Consumer Trust → Consumer Decision-Making Process	0.097	2.820	0.005	Accepted

Source: SmartPLS, 2026

Based on the bootstrapping analysis presented in Table 4, the significance of each hypothesized relationship was evaluated using path coefficients, t-statistics, and p-values.

H1: AI-Driven Personalized Marketing → AI-Driven Consumer Trust

The results indicate that AI-Driven Personalized Marketing has a significant positive effect on AI-Driven Consumer Trust (β = 0.441, t = 6.939, p = 0.000). Since the p-value is below 0.05 and the t-statistic exceeds 1.96, H1 is accepted. This finding suggests that higher levels of personalization based on artificial intelligence significantly enhance consumer trust toward the system.

H2: AI-Driven Consumer Trust → Consumer Decision Making Process

AI-Driven Consumer Trust significantly influences Consumer Decision Making Process (β = 0.218, t = 2.945, p = 0.003). As the relationship is statistically significant at the 5% level, H2 is accepted. This indicates that increased trust in AI-driven systems contributes positively to consumers' decision-making processes.

H3: AI-Driven Personalized Marketing → Consumer Decision Making Process

The direct effect of AI-Driven Personalized Marketing on Consumer Decision Making Process is also significant (β = 0.515, t = 6.816, p = 0.000). Therefore, H3 is accepted. This result shows that personalization not only builds trust but also directly influences consumer decisions.

H4: Ethical and Privacy Implication → Consumer Decision Making Process

The effect of Ethical and Privacy Implication on Consumer Decision Making Process is not

statistically significant (β = 0.146, t = 1.693, p = 0.091). Since the p-value exceeds 0.05 and the t-statistic is below 1.96, H4 is rejected. This suggests that ethical and privacy concerns do not significantly influence consumer decision-making within this context.

Indirect Effect (Mediation Analysis)

The indirect effect of AI-Driven Personalized Marketing on Consumer Decision Making Process through AI-Driven Consumer Trust is significant (β = 0.097, t = 2.820, p = 0.005). This confirms that consumer trust mediates the relationship between personalization and decision-making. Given that the direct effect remains significant, the mediation is classified as partial mediation

The findings of this study indicate that AI-Driven Personalized Marketing exerts a significant effect on the Consumer Decision-Making Process, both directly and indirectly through AI-Driven Consumer Trust. These results underscore that AI-based personalization not only enhances the relevance of marketing content but also directly stimulates the decision-making process of Generation Z consumers.

The significant influence of AI-Driven Personalized Marketing on AI-Driven Consumer Trust suggests that higher levels of personalization and greater recommendation accuracy provided by AI systems are associated with increased consumer trust in those systems. This finding aligns Singhal et al. (2025) which state that algorithm-based personalization can enhance perceived value and trust in digital environments. Relevant and consistent personalization creates the perception that the system understands consumers' needs, thereby strengthening their confidence in the recommendations provided (Sharma et al., 2022).

Furthermore, AI-Driven Consumer Trust was found to have a significant effect on the Consumer Decision-Making Process. This finding reinforces the view that trust functions as a critical psychological mechanism in the context of AI-based marketing. Trust helps reduce perceived uncertainty and risk when consumers interact with algorithmic systems. This result is consistent with the study by Dr A. Mallika & Siyad P K (2025) which emphasize that trust plays a crucial role in promoting technology acceptance and influencing purchase decisions within digital environments.

The primary finding of this study lies in the partial mediating effect of AI-Driven Consumer Trust on the relationship between AI-based personalization and consumer decision-making. This result indicates that personalization operates not only through direct influence but also indirectly through the formation of trust as an internal psychological mechanism within consumers (Rasool & Sajjad, 2025). This finding is consistent with prior research Srivastava & Gurme (2026) on AI-driven personalization in social media contexts, which emphasizes that algorithmic personalization enhances behavioral outcomes primarily when it fosters consumer trust in the platform and its recommendation system. As highlighted in previous studies on personalization, trust, and privacy in AI-enabled environments, consumers' evaluations of algorithmic transparency, reliability, and perceived benefits play a crucial role in determining whether personalized content translates into actual decision-making behavior (Xu & Chen, 2025). Thus, trust does not merely accompany personalization but actively strengthens its behavioral impact.

Interestingly, the variable Ethical and Privacy Implications did not exhibit a significant effect on the Consumer Decision-Making Process. This finding suggests that although respondents demonstrate awareness of ethical and privacy concerns, such considerations do not constitute a primary determinant in their purchase decisions. The result aligns with prior research indicating that ethical considerations in AI-driven systems do not necessarily exert a direct influence on final purchase outcomes, but rather shape specific cognitive evaluation pathways within the broader decision-making process (Rodgers & Nguyen, 2022). This finding can be explained through the privacy–convenience trade-off phenomenon, whereby consumers tend to prioritize convenience, relevance, and the perceived benefits of personalization over concerns related to data usage (Wang et al., 2023). This finding further indicates that, within the context of Generation Z, the practical value of personalization tends to outweigh normative considerations related to ethics and privacy.

Overall, this study confirms that AI-driven personalization and consumer trust serve as primary determinants in shaping consumer decision-making within digital environments, whereas ethical and privacy implications do not emerge as dominant predictors in the context of actual behavioral responses.

CONCLUSION

This study confirms that AI-driven personalized marketing significantly influences consumer decision-making, both directly and indirectly through consumer trust. The findings highlight that trust plays a crucial mediating role in strengthening the impact of personalization on behavioral outcomes. In contrast, ethical and privacy implications were not found to significantly affect consumer decision-making, suggesting that Generation Z consumers tend to prioritize the practical benefits of personalization over normative concerns related to data ethics and privacy. These results contribute to the AI-driven marketing literature by empirically demonstrating the mediating function of trust within a unified structural model in an emerging market context. Future research is encouraged to examine broader demographic groups, incorporate additional moderating variables, and explore longitudinal designs to better understand the evolving dynamics of trust and personalization in digital environments.

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