

The Influence of AI-Powered Personalization on Consumer Purchasing Decision Making

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ARTICLE INFORMATION

Vol. 03, No. 01(2026); pp 1-7

Received : 19/02/2026

Accepted : 27/03/2026

Published Online : 01/05/2026

DOI:

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How to Cite?

Sayok Das Ghosh, et al. (2026). The Influence of AI-Powered Personalization on Consumer Purchasing Decision Making. **Green Lifestyle and International Market-(GLIM)**, 3(01), 1-7.

Abstract

The rapid proliferation of digital technology has fundamentally transformed consumer behavior, with online platforms and artificial intelligence playing a central role in reshaping how individuals evaluate and engage with products and services. AI enabled mechanisms, including personalized recommendation engines, conversational chatbots, and predictive analytics, have strengthened the overall consumer journey by offering tailored choices, instant assistance, and adaptive pricing models. These capabilities have created a strong positive linkage between AI adoption and consumer purchase decisions, as enterprises increasingly depend on data driven insights to reinforce engagement and brand loyalty. At the same time, the expanding influence of AI introduces notable challenges such as algorithmic bias, data privacy vulnerabilities, and concerns regarding diminishing authenticity in customer interactions. Biased training data can result in discriminatory outcomes, and excessive automation may dilute the human connection that consumers have traditionally valued. Furthermore, the large scale collection of personal data raises significant privacy and security issues, particularly under regulatory frameworks such as the GDPR and CCPA. To mitigate these risks, organizations must adopt responsible AI protocols that incorporate bias detection, transparent data governance, strong cybersecurity safeguards, and meaningful human oversight. Achieving equilibrium between technological efficiency and ethical stewardship remains essential for protecting consumer trust and ensuring long term business resilience. While AI holds substantial promise in redefining consumption patterns, its sustainable impact will depend on its deployment in ways that uphold fairness, clarity, and accountability across the digital marketplace.

Keywords: Artificial Intelligence, AI- driven decision, Buying Behavior, Consumer Behavior, Predictive AI

1. Introduction

In today's fast-evolving digital landscape, the way we shop, interact with brands, and make purchasing decisions has been fundamentally transformed. From personalized product recommendations to AI powered chatbots offering instant support, artificial intelligence has quietly woven itself into every step of the consumer journey. Businesses now rely on sophisticated algorithms to predict our preferences, optimize pricing, and even shape our perceptions, often without us realizing it. But while AI unlocks incredible opportunities for convenience and customization, it also raises pressing questions. What happens when algorithms reinforce biases? How much of our personal data are we unknowingly trading for a smoother shopping experience? And as machines take over more customer interactions, are we losing the human touch that builds real trust? This study dives into the double edged impact of AI on consumer behavior, exploring how it enhances engagement and drives sales, while also uncovering the ethical dilemmas and risks that come with it. As businesses race to adopt AI driven strategies, finding the right balance between innovation and responsibility will be key to sustaining consumer trust in an increasingly automated world.

every purchasing decision we make. From personalized product recommendations to dynamic pricing strategies, AI has become an invisible hand guiding consumer behavior in ways both subtle and overt. This transformation presents unprecedented opportunities for businesses to enhance customer engagement, optimize marketing strategies, and drive sales. However, it also raises critical ethical concerns, including privacy issues, algorithmic bias, and the potential erosion of consumer autonomy.

This paper provides a comprehensive overview of how AI is reshaping consumer behavior, examining its benefits, challenges, and broader societal implications.

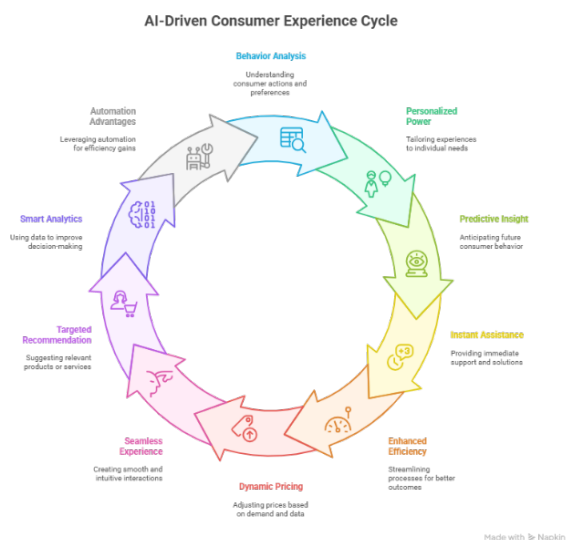


Figure 1: Source: Authors

1.1 The AI Revolution In Consumer Behavior: Opportunities and Pitfalls

We are living in the age of algorithms, where artificial intelligence (AI) silently but profoundly influences nearly

AI Impact on Consumer Behavior



Figure 2: Source: Authors

1.2 Personalized Recommendations and Predictive Analytics

AI-powered recommendation engines, such as those used by Amazon, Netflix, and Spotify, analyze vast datasets to predict consumer preferences with remarkable accuracy. By leveraging machine learning (ML) and deep learning models, these systems track browsing history, past purchases, and even micro-interactions (e.g., time spent hovering over a product) to suggest items tailored to individual tastes.

Impact on Consumer Behavior: Studies show that personalized recommendations account for 35% of Amazon's revenue demonstrating how AI nudges consumers toward purchases they might not have otherwise considered.

Psychological Effect: The "filter bubble" phenomenon, where AI reinforces existing preferences, can limit exposure to diverse choices, creating an echo chamber of consumption.

Table 1: AI Applications in Consumer Behavior and Their Implications

Category	AI Function	Description	Opportunities and Advantages	Pitfalls and Ethical Risks
Pricing Strategy	Dynamic and Real Time Pricing Adjustments	AI adjusts prices based on demand, competition, user history, and purchasing power. Examples include Uber surge pricing and airline fare changes.	Revenue maximization by capturing higher consumer surplus during peak demand.	Perceived unfairness and loss of trust when customers discover price variations.
Customer Interaction	Chatbots and AI Powered Service	AI chatbots handle queries, process orders, troubleshoot issues, and recommend products with 24x7 availability.	Faster responses, lower operational costs, higher conversion rates due to reduced friction.	Impersonal interactions frustrate consumers who need empathy or complex issue resolution.
Digital Advertising	Behavioral Microtargeting	AI analyzes browsing history, social media activity, and interaction patterns to deliver hyper targeted advertisements.	Higher ad relevance, improved click through rates, strong impact on purchase intent.	Privacy concerns due to invasive data scraping, regulatory scrutiny under GDPR and CCPA.
Search and Discovery	Voice and Visual Search Optimization	AI powers smart speakers and visual search engines, changing how consumers find and explore products.	Easier discovery, hands free access, rising adoption boosts brand visibility.	Brands must rapidly adapt search strategies, creating competitive pressure and digital inequality.
Data and Society	Privacy Erosion and Data Exploitation	AI collects and interprets large datasets, often without clear consumer awareness.	Better personalization and more precise targeting.	Risk of manipulation, misuse of personal data, scandals similar to Cambridge Analytica.
Algorithmic Fairness	Bias and Discrimination	AI models trained on biased data reinforce social inequalities in ads, recommendations, and job targeting.	Efficient audience segmentation.	Discriminatory outcomes, skewed opportunities, unequal product visibility.
Human Behavior	Loss of Human Agency	Algorithmic recommendations dominate consumer choices, reducing independent judgment.	Convenience and reduced decision fatigue.	Over reliance on AI reduces spontaneity, critical thinking, and autonomous decision making.
Sustainability	AI Driven Overconsumption	AI accelerates micro trend production in fast fashion and impulse buying.	Higher sales through trend prediction and real time manufacturing.	Environmental degradation, increased textile waste, unsustainable consumer patterns.

2. literature Review

Artificial intelligence driven personalization has become a decisive force in shaping contemporary consumer behavior, fundamentally altering the way individuals search, evaluate and select products. The early theoretical foundation of this domain is anchored in the economics of privacy, where Acquisti et al. (2020) highlighted that consumers continuously negotiate between personalization benefits and privacy risks. This trade off is intensified in digital marketplaces where algorithmic tracking forms the backbone of targeted personalization. Building on this reasoning, Davenport et al. (2020) demonstrated that firms increasingly deploy AI powered recommendation engines, predictive analytics and behavioral data mapping to deliver individualized purchase stimuli, resulting in enhanced conversion rates and stronger customer loyalty.

The literature reveals that personalization algorithms influence not only consumer decisions but also market structure. Fleder and Hosanagar (2021) showed how algorithmic recommendations reinforce blockbuster consumption patterns by repeatedly exposing users to high probability products, reducing exploration and reshaping cultural demand. Parallel studies in retail strategy, such as Grewal et al. (2020), confirmed that AI enhanced retail environments create frictionless journeys with dynamic adjustments in product displays, pricing and engagement prompts, all of which systematically guide consumers toward pre optimized choices.

The ethical dimension of AI personalization forms another critical strand in the literature. Zarouali et al. (2021) provided strong empirical evidence that algorithmic decision making can inadvertently reproduce discrimination in digital advertising due to biased training data and opaque model logic. These findings align with the strategic reflections of Davenport, Guha, Grewal and Bressgott (2019, 2020), who warned that algorithmic persuasion may cross ethical boundaries when personalization becomes excessively intrusive or manipulative. Rust and Huang (2021) extended this view, arguing that the emerging “feeling economy,” driven by emotionally intelligent AI systems, is transforming the balance between automated empathy and human judgment, thereby influencing decision making at a subconscious level.

A parallel stream of research examines the cognitive impact of AI mediated choice environments. Chernev (2019) demonstrated that choice overload remains a significant challenge, particularly when algorithms present hyper personalized options. If the personalization depth is too high, consumers experience decision fatigue, lowering satisfaction and reducing post purchase confidence. These

behavioral insights explain why firms are now integrating generative AI into marketing pipelines, enabling real time content production, adaptive messaging and automated persuasion strategies (McKinsey, 2023). Corporate analyses consistently show that these technologies elevate sales performance by aligning product suggestions with moment to moment behavioral cues.

Recent empirical studies also provide granular evidence on AI induced shifts in purchasing patterns. Kumari and Thakur (2024) found that AI adoption enhances information processing, improves perceived decision quality and accelerates purchase completion. Industry reports further reinforce that AI guided consumer journeys appear seamless but rely heavily on deep data mining, predictive learning and micro segmentation (Harvard Business Review, 2021). Strategic frameworks published in the *Journal of the Academy of Marketing Science* emphasize that firms adopting AI personalization must establish strong governance, transparency protocols and bias mitigation systems to sustain public trust and competitive advantage.

Overall, the systematic review establishes that AI powered personalization significantly influences consumer decision making through behavioral nudging, emotional shaping, predictive modeling and immersive digital engagement. While the benefits include convenience, efficiency and relevance, the risks involve privacy erosion, discrimination, reduced autonomy and potential over automation. The future of AI personalization therefore requires a structured integration of technological capability with ethical stewardship, ensuring that innovation aligns with responsible consumer centric practices.

3. Methodology

The study employed a structured methodology beginning with primary data collection through a Google Forms survey administered to 58 respondents, capturing demographic profiles, platform preferences, behavioural indicators such as frequency and influence of AI-driven recommendations, perceived accuracy, emotional responses, and privacy concerns. The dataset was aggregated in Google Sheets and cleaned in Python using Pandas before quantitative and qualitative analyses were conducted. Quantitative review identified platform-level dominance and moderate confidence in AI accuracy, while qualitative thematic coding highlighted issues of repetitiveness, lack of transparency in data use, and irrelevant recommendations. These insights informed a logistic regression based demand prediction model linking variables such as past purchase behaviour and frequency of AI exposure with purchase

intent, supported by bootstrapping due to the small sample size. The findings also guided the formulation of personalization strategies, revealing that younger users preferred social media integrated recommendations with higher transparency, whereas older users valued accuracy. Ethical expectations centred on explicit consent requirements. Finally, respondent insights were translated into hypothetical customer experience tests focusing on reducing repetitive suggestions and incorporating data-use disclosures, with prospective evaluation metrics including net promoter score, click-through rate, and purchase conversion.

4. Findings

In Figure 3. demographic details are shown . **Gender:** “Responses were balanced (51.7% male, 48.3% female), suggesting both genders engage similarly. **Age:** The survey skewed heavily toward 18 – 25 year olds (74.1%), indicating findings primarily reflect younger, digitally-native perspectives.”

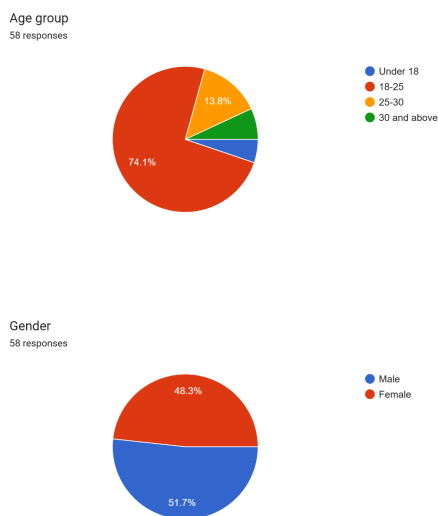


Figure 3: Demographic details

Figure 4: shows respondents familiarity with AI personalization. Nearly half of shoppers (48.3%) feel very comfortable with AI recommendations, while over a third (36.2%) are cautiously familiar - suggesting most consumers now recognize personalized shopping tech. Still, 15.5% remain completely unfamiliar, revealing an adoption gap that retailers should address through education.

Figure 5: shows how different platform suggest AI based personalization. Social media leads (72%), showing users notice AI suggestions most while scrolling. Shopping

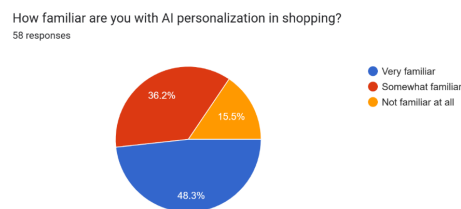


Figure 4: Respondents familiarity with AI personalization

sites (47%) remain relevant, while streaming (22%) and food apps (19%) lag suggesting these feel less natural for product discovery.

Brands should focus AI efforts where users already engage with recommendations: social feeds and shopping platforms.

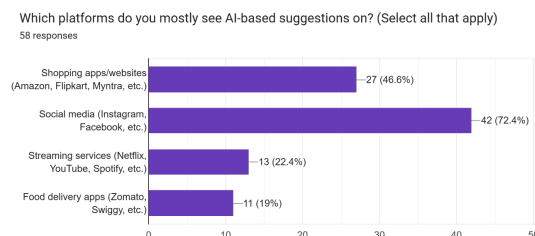


Figure 5: Platform suggestions AI based personalization

Figure 6. shows that how different respondents brought something because of AI. Nearly half of shoppers (46.6%) have purchased an AI-recommended item, proving these algorithms effectively drive decisions. Yet 36.2% remain unconvinced, with another 17.2% on the fence - revealing significant room for improvement in recommendation relevance.

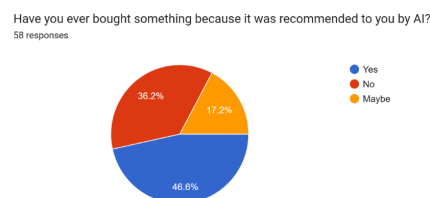


Figure 6: Different respondents brought something because of AI

Figure 7. shows how often respondents gets suggestion during browsing. Most users frequently encounter personalized recommendations 41% see them "sometimes" and 40% "very often," showing AI has become a regular part of the browsing experience. Still, nearly 20% rarely or never notice them, suggesting either poor targeting or banner blindness in certain contexts.

How often do you notice personalized suggestions while browsing?
58 responses

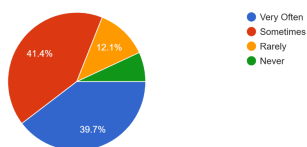


Figure 7: How often respondents get suggestion during browsing

Figure 8. shows comfortability of respondents because company uses their personal data. A clear majority (62%) are open to data sharing but only with explicit consent, revealing today's "give-and-take" consumer mindset. While 25% outright reject it, just 12% freely trust companies, showing most want control over their digital footprint.

Are you comfortable with companies using your data for AI personalization?
58 responses

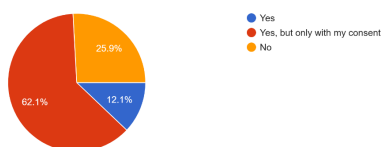


Figure 8: Comfortability of respondents because company uses their personal data

Figure 9. show the accuracy of AI in your life during the time of purchasing something. While 60% find AI suggestions "sometimes accurate" (hinting they work well enough to be useful), only 27% see them as consistently on-point. For 12%, recommendations still miss the mark revealing room for algorithms to better understand real preferences.

How would you rate the accuracy of AI personalization in your life?
58 responses

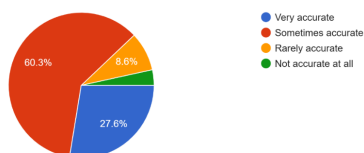


Figure 9: Accuracy of AI in your life during the time of purchasing

Figure 10. shows the feeling of respondents during AI-personalization recommendations. Half of shoppers feel indifferent (50%) about personalized suggestions they've become background noise in our digital routines. But 41% still get that little thrill of discovery, while nearly 1 in 10 find them downright irritating (we've all gotten those bizarre "because you bought toothpaste" suggestions).

When you see personalized recommendations, how do you feel?
58 responses

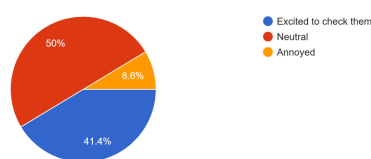


Figure 10: Feeling of respondents during AI-personalization recommendations

What would you like to improve in AI personalization?
58 responses

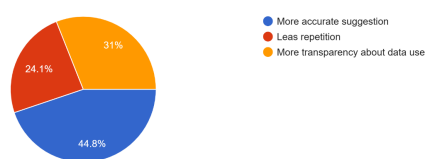


Figure 11: What respondents want AI to do

Figure 11. shows what respondents want AI to do. Nearly half (45%) crave better accuracy because who hasn't gotten irrelevant "you might like" suggestions? About a third (31%) want clearer data use transparency (no more creepy ads!), while 24% are tired of seeing the same recommendations repeatedly.

Have you ever felt that AI personalization was "too intrusive"?
58 responses

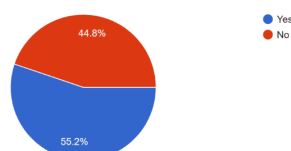


Figure 12: Respondents' personal POV on AI personalization

Figure 12. shows respondents' personal POV on AI personalization. Over half of shoppers (55%) feel AI gets too personal sometimes like when ads follow you after just *thinking* about a product. Yet 45% don't mind, showing the fine line between helpful and invasive is different for everyone.

Figure 13. shows the future of AI-personalization. The jury's evenly split 47% believe AI will fuel more purchases, while just as many think it won't change their habits. A small but wise 7% predict they'll actually shop less, perhaps overwhelmed by choice or prioritizing intentional buying.

In the future, AI personalization will:
58 responses

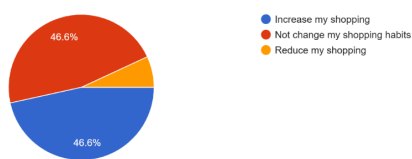


Figure 13: Future of AI-personalization

5. Conclusion

AI has reshaped the retail environment by accelerating decision-making, refining product discovery, and creating highly individualized shopping experiences, but this transformation carries clear strategic and ethical obligations for businesses. Consumers increasingly value recommendation systems that reduce effort and offer precision; however, their trust remains contingent upon how responsibly retailers manage data collection, safeguard privacy, and prevent algorithmic unfairness. This dynamic becomes even more complex as smaller firms struggle to meet the financial and technical requirements of AI adoption, widening the divide between dominant market leaders and emerging players who lack comparable digital capabilities. As retailers move forward, the real value of AI will depend on how effectively they maintain transparency, communicate data practices, and deploy personalization in a way that guides rather than manipulates. The future competitive advantage will belong to companies that use AI not merely as a sales engine, but as a balanced, consumer-respecting system that enhances autonomy, builds trust, and strengthens long-term loyalty.

Authorship contribution

Sayok Das Ghosh, Pakeeza Parween, Muskan Kumari Poddar: Conceptualised the paper under the supervision of B C Anant. prepared the full draft; reviewed sources; and ensured adherence to academic and formatting guidelines. B C Anant: give final shape to the article and did contextual analysis.

AI Declaration

The authors have used Generative- AI in creating Images 1 and 2 under Ethical Circumstances.

Funding

No funding was received for this study.

Conflict of interest

The authors declares that there are no conflicts of interest writing this review paper.

Similarity Index

We hereby confirm that there is less than 10% Plagiarism was achieved in this case study.

Data availability statement

All information used in the study is derived from publicly available art-historical literature and direct observations.

Declaration

The authors declare that this paper is an original work and has not been published or submitted elsewhere. All external sources have been properly cited.

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