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The key role of relevance in personalized advertisement: Examining its impact on perceptions of privacy invasion, self-awareness, and continuous use intentions

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ABSTRACT

Internet advertising has become increasingly personalized as advertisers tailor content to individual users. However, this has led consumers to be concerned about their privacy. Based on rational choice theory and self-awareness theory, the current research explores the role of relevance in personalized advertisements and examines its impact on perceptions of privacy invasion, self-awareness, and subsequent continuous use intentions of personalized advertising. Analysis of survey data from 386 online users found that although privacy invasion perceptions are negatively related to continuous use intentions, perceived advertisement relevance mitigates consumer's privacy concerns. Perceived relevance was also found to be positively related to consumer's continuous use intentions through the mediation of self-awareness. This research identifies and highlights the importance of relevance in the tension between privacy concerns and personalized advertisements.

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1. Introduction

In recent years, internet advertising has become increasingly personalized with content tailored to individual users. By collecting and compiling a record of individual consumers' online activities, interests, preferences, and/or communications over time and across websites, online advertisers are able to deliver personalized advertising to individuals (Jai, Burns, & King, 2013). Providing personalized advertising has become one of the hottest trends in online retailing (Turban, Lee, King, & Chung, 2000).

However, since its birth, personalized advertising has been controversial due to concerns about invasion of individual privacy (Awad & Krishnan, 2006; Xu, Luo, Carroll, & Rosson, 2011). Privacy issues pertaining to online consumer data have become a serious concern. A Pew Research survey found that 68% Americans were not comfortable with targeted advertising because they did not like having their online behavior tracked and analyzed. Only 28% felt comfortable with targeted advertising because they could see the advertisement and information about things they were interested in (Pew Internet & American Life Project, 2012).

For advertisers, personalized advertising and privacy concerns are a paradox yet to be solved. On the one hand, personalization is associated with higher customer loyalty and satisfaction (Ball, Coelho, & Vilares, 2006; Liang, Lai, & Ku, 2006), as well as higher influence and conversion (Sociomatic, 2013). On the other hand, personalized and targeted advertising is linked to user's privacy concerns, which may lead to a backlash if consumers perceive that advertisers have overstepped the norms of information practices (Awad & Krishnan, 2006). To find a way to solve the paradox (i.e., to retain the benefits of personalization while avoiding the potential negative impacts), advertisers need to have a better understanding of consumer perceptions of privacy and use intentions of personalized advertising.

Although extant literature contains investigations of privacy from various perspectives, such as consumer's perceived control (Dinev & Hart, 2004; Xu, 2007), financial compensation and regulation (Xu, Teo, Tan, & Agarwal, 2009), monetary rewards and convenience (Hann, Hui, Lee, & Png, 2007), it provides few insights into the effects of personalization type (i.e., whether the message is highly relevant or only partially relevant) has on perceptions of privacy invasion. Some researchers have suggested that relevance of advertising is an important factor that influences consumers' ad reactions (Campbell & Wright, 2008; Drossos & Giaglis, 2005;

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Pavlou & Stewart, 2000). Thus, investigating relevance may enhance our understanding of the tension between privacy concerns and personalized advertising. Based on rational choice theory and self-awareness theory, the current research explores the role of relevance in personalized advertising and examines its impact on perceptions of privacy invasion, self-awareness, and subsequent continuous use intentions. Specifically, we seek to answer the following three research questions: Does relevance mitigate users' perceptions of privacy invasion? Does relevance also mitigate users' perceptions of privacy invasion indirectly through self-awareness? And do privacy invasion perceptions and self-awareness affect consumer's continuous use intentions? Our results show that to solve the personalized advertising and privacy paradox, relevance of the advertisement plays a key role. Relevant personalized advertising reduces privacy invasion perceptions and increases continuous use intentions. Our research findings contribute to the extant literature by highlighting the role of relevance in personalized advertising, which has important managerial implications for personalized advertising and branding.

In the next section, we introduce our conceptual framework and develop the research hypotheses. Then we describe the research sample data and measurements and present the analytical results. We end the paper with a discussion of the results and conclusions.

2. Conceptual framework and hypotheses

2.1. The role of relevance

Relevance is the degree to which consumers perceive an object to be self-related or in some way instrumental to achieving their personal goals and values (Celsi & Olson, 1988). In the personalized advertising context, we define relevance as the degree to which consumers perceive a personalized advertisement to be self-related or in some way instrumental in achieving their personal goals and values. Previous research has reported that an advertisement's relevance influences consumer reactions, including paying closer attention to the ad (Pechmann & Stewart, 1990), showing favorable attitudes towards the ad (Campbell & Wright, 2008), displaying higher purchase intentions (Pavlou & Stewart, 2000), and providing better advertising effectiveness (Drossos & Giaglis, 2005).

To explore the role of relevance in personalized advertisements, we draw on two theories: rational choice theory and self-awareness theory. We argue that relevance mitigates consumer's privacy concerns and enhances continuous use intentions in two ways. One is by contributing additional perceived benefits to the consumer's privacy calculus. The other is through activating self-awareness, which in turn alleviates the perception of privacy invasion and benefits continuous use intentions. Fig. 1 summarizes our research model.

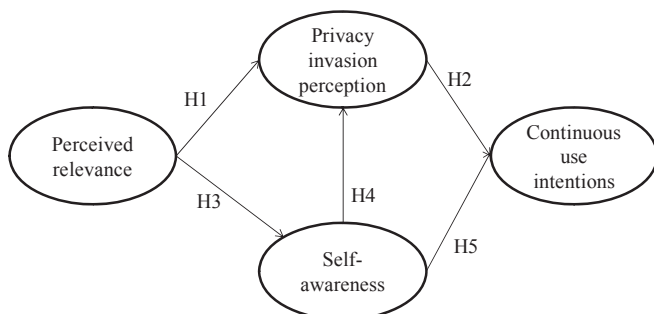


Fig. 1. Research model.

2.2. Relevance, privacy invasion perception, and continuous use intentions

Rational choice theory (Becker, 1978; Scott, 2000) states that decision makers maximize their net benefits, or utility, by making choices that yield the highest level of benefits, discounted by costs. Among extant research on consumer privacy, a variant of rational choice theory, the calculus perspective of privacy, has been found to be the most useful framework for analyzing contemporary consumer privacy concerns, and has been widely applied in empirical studies of consumer privacy concerns (Culnan & Bies, 2003; Dinev & Hart, 2006; Hann et al., 2007; Xu et al., 2009). These studies have revealed that consumers perform a risk–benefit analysis of all the factors related to a particular situation in order to assess privacy concerns. When perceived benefits, such as better service, compensation, or discounts, are larger than perceived risks, consumers are less concerned about privacy and are more willing to disclose their personal information (Culnan & Bies, 2003).

We argue that the relevance of a personalized advertisement mitigates consumer's privacy concerns by providing additional perceived benefits in this privacy calculus. Partly due to the wealth of information available on the internet, consumers constantly face the problem of information overload. Personalization reduces information overload by channeling relevant information directly to individual users (Liang et al., 2006). The time and effort consumers save from using personal advertisements is perceived as a benefit and, in turn, alleviates their privacy concerns. Thus, we argue that the more relevant personalized advertisements are to consumers, the lower their perceptions of privacy invasion.

H1. The perceived relevance of personalized advertisement is negatively related to perceived privacy invasion.

Extending privacy calculus theory, risk-benefit analysis can also be applied to all rational decision making (Becker, 1978; Goodhue, Wybo, & Kirsch, 1992). A rational decision makers' goal is to maximize net benefit and minimize negative outcomes (Dinev & Hart, 2006), one of which is privacy invasion. Prior research has substantiated the direct negative impact of privacy concerns on behavioral intentions in various contexts, such as e-commerce (Dinev & Hart, 2006; Malhotra, Kim, & Agarwal, 2004), location-based services (Xu & Teo, 2004; Xu, Teo, & Tan, 2005), ubiquitous commerce (Sheng, Nah, & Siau, 2008), personalized email advertisements, and online personalized advertising (Baek & Morimoto, 2012; Sheehan & Hoy, 1999). Consistent with prior literature, we expect a negative relationship between privacy invasion perceptions and continuous use intentions for personalized advertising services.

H2. Privacy invasion perceptions are negatively related to consumers' continuous use intentions of personalized advertising services.

2.3. Relevance, self-awareness, and privacy invasion

To understand the effects of relevance on privacy invasion perceptions, we draw on the theory of self-awareness, which states that people attend to their own consciousness, body, personal history, or other aspects of themselves (Duval & Wicklund, 1972). There are two dimensions of self-awareness: private and public (Buss, 1980; Carver & Scheier, 1981; Pham, Goukens, Lehmann, & Stuart, 2010). Private self-awareness refers to a person's own perspective of self (Fejfar & Hoyle, 2000) and involves heightened attention to inner aspects of the self, such as one's own thoughts, feelings, and motives (Carver & Scheier, 1981). Public self-

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