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Differential responses of loyal versus habitual consumers towards mobile site personalization on privacy management

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ABSTRACT

We examine how two different underlying mechanisms of behavioral loyalty to a brand—attitudinal loyalty and habit—impact smartphone users' privacy management when they browse personalized vs. non-personalized mobile websites. The online experimental study conducted with Amazon Mechanical Turk workers ($N = 73$) finds different responses of attitudinal loyalty and habit towards personalization in significant three-way interactions between personalization, attitudinal loyalty, and habit on privacy disclosure and protection behaviors. When interacting with a personalized website, highly habitual consumers without high level of attitudinal loyalty disclosed the most personal information on a personalized mobile site, and displayed the least intention of protecting their privacy on their smartphones, whereas consumers with high levels of both habit and attitudinal loyalty reported the highest tendency of privacy protection behavior. However, habit and personalization do not have a significant effect on disclosure behaviors when users have high attitudinal loyalty to a brand. Theoretical and practical implications are discussed.

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1. Introduction

Use of mobile technology has become pervasive among current consumers. A recent survey showed that about 90 percent of adults in the U.S. have their own cell phones, and 60 percent of them are smartphone users (Pew Research Center, 2014). Due to the prevalence of smartphones among current consumers, mobile interfaces have become one of the major channels through which advertisers reach their target consumers. New mobile technologies enable marketers and advertisers to target individual mobile consumers using promotional messages and content tailored to the individuals' needs and situations such as current locations and personal preferences, a practice called “personalization.” Personalization has long been understood to produce positive responses, such as positive attitude (Kalyanaraman & Sundar, 2006), higher response rates (Howard & Kerin, 2004), and better message recall (Burnkrant & Rao Unnava, 1995). However, given that effective personalization depends on marketers' ability to collect data

from mobile users, privacy-related issues are significant downsides of personalization (e.g., Chellappa & Sin, 2005; Xu, Luo, Carroll, & Rosson, 2011). Therefore, the effects of personalization on users' information disclosure and protection behaviors are worthy of investigation.

Based on communication privacy management theory (CPM; Petronio, 2002), the current study proposes that consumers develop their own privacy rules to determine their privacy boundaries with each brand based on their relationships with the brand. We propose that brand loyalty and habit are important factors that determine consumers' decisions about where to place these boundaries between the self and the mobile interface when interacting with personalized versus non-personalized mobile brand content.

2. Literature review

2.1. Personalization on mobile services and privacy

As the term “smartphone” connotes, the functions of advanced mobile devices go beyond those of traditional phones. Portable broadband technology lets us communicate and access information

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and social networks anytime and anywhere, thereby making our lives smarter and easier. In the context of e-commerce, smartphones have dramatically changed consumer behavior, affecting the ways people search and acquire product information, make purchase decisions, and share consumption experiences (Salehan & Negahban, 2013).

The pervasiveness of mobile devices provides marketers with abundant opportunities to offer value-added services to consumers. One of the key components of current mobile advertising and marketing practices is personalization (Montgomery & Smith, 2009). Personalization refers to individualized services, products, or content that are tailored to individual users' preferences or interests learned by an adaptive system (Ho, 2006). Marketers can now offer more precisely tailored personalization using mobile technologies, which track and collect richer and more diverse information from their target consumers. Location tracking and behavioral targeting technologies are some examples prevalent in current mobile marketing. Such technologies enable marketers to collect extensive customer information, such as demographic, geographic, and real-time activity information (Park & Jang, 2014).

Because personalized offerings are based on individual consumers' interests and preferences, personalization is expected to provide added value to consumers, thereby generating positive responses from them. In the persuasion literature, personalized messages have been found to yield higher response rates (Howard & Kerin, 2004), greater message recall (Burnkrant & Rao Unnava, 1995), higher behavioral compliance (e.g., Abrahamse, Steg, Vlek, & Rothengatter, 2007), and more positive responses (Noar, Harrington, & Aldrich, 2009). Personalization of media interfaces has also been found to produce positive responses. For instance, studies show that Internet users have more positive attitudes toward personalized web portal sites (Kalyanaraman & Sundar, 2006) and online shopping websites (Sundar, Kang, Wu, Go, & Zhang, 2013) than non-personalized ones.

However, given that personalized offerings accessed via mobile technology can be created only when marketers have access to individual users' relevant information, including location data, real-time activities, or profile information, personalization may signal permeability of users' privacy boundaries (Sundar et al., 2013). This can lead consumers to be concerned about their privacy when they receive personalized content or services from advertisers.

Overall, the literature suggests that personalization is a double-edged sword, with both perceived benefits from the information and services that are tailored to the individual user, and perceived risks associated with the personalization process (Xu et al., 2011). Studies found that the perceived benefits of personalization increase a person's likelihood of using personalized online services and of disclosing information on personalized mobile interfaces (Chellappa & Sin, 2005). However, privacy concerns triggered by content personalization are a negative predictor of consumers' intentions to use online personalization services (Chellappa & Sin, 2005) as well as to willingness to share information on a mobile interface with personalization features (Xu et al., 2011). It appears that privacy disclosure behaviors on personalized mobile interfaces are based on consumers' assessment and comparison of perceived benefits and risks of disclosing information on personalized interfaces.

2.2. Communication privacy management theory

Given that many privacy-related issues are now generated by interactive media technologies, many communication scholars apply communication privacy management theory (CPM; Petronio, 2002) to explain the tension between privacy disclosure and protection in various communication contexts mediated by

technologies, including the internet (e.g., Stanton & Stam, 2003; West & Turner, 2004). CPM posits that individuals tend to develop their own rules about whether or not to reveal private information in order to effectively manage their privacy. Based on these rules, individuals apply different levels of privacy boundaries in different contexts, ranging from thin—or “porous filters”—to thick, “impenetrable barriers that shield deep, dark secrets” (Petronio, 2002, p. 168).

That is, individuals manage their privacy by deciding where to place the border to divide information into not-to-share or to-share categories. The underlying proposition of this type of decision is that individuals perceive both risks and benefits of privacy or disclosure. For instance, disclosure may be helpful for relationship development or self-expression. CPM also explains that an information owner may experience boundary turbulence when the person detects that a privacy boundary was unexpectedly porous, such that others outside of the privacy boundary had access to private information unbeknownst to the owner. In many cases, this turbulence results from failure of information co-owners to adhere to mutually held privacy expectations (Petronio, 2002). This boundary turbulence increases the original owner's perceived risks with regard to trusting the co-owner, and as a result, the original information owner will be more reluctant to share their information with the co-owner in the future.

Based on this idea of CPM, we can postulate that individuals with thick privacy boundaries to a brand or to mobile technology as a whole will be more likely to experience boundary turbulence when they see personalization cues on a brand's mobile site, they will take that as a hint of a porous privacy boundary and may react by refusing to disclose their information on the site to avoid a more porous privacy boundary. However, those with thin boundaries will be less likely to experience boundary turbulence when they encounter personalization cues, making them more likely to expose personal information on the site than those with thicker boundaries.

In order to understand online consumers' privacy disclosure and protection behaviors on mobile interfaces that use personalization technology, we need to understand the factors that impact consumers' decisions about privacy boundaries. CPM posits that people tend to develop different privacy rules in different situations with different relationships. In the current study, we expect that different types of consumers' relationship with a brand (i.e., attitudinal loyalty vs. habit) can affect consumers' privacy management on mobile sites with personalization features.

2.3. Attitudinal loyalty versus habit

Much of consumer behaviors are repeated and therefore relationships are formed. However, consumers may develop different relationships with different brands or marketers. Let's say that Tom and Mary go to Subway close to the office regularly for lunch. We can say that they are both valuable customers to Subway for their repeated purchases. However, there are some differences between these two valuable customers. Tom goes to Subway even when he is not working or when the store is not convenient to him, whereas Mary only goes to Subway on days she is at work. Are their relationships with the brand qualitatively the same? Obviously, both of them are profitable customers, and therefore, they are valued by marketers (Tam, Wood, & Song, 2009). However, studies show that not all repetition stems from the same motivations or results in the same outcomes (Ji & Wood, 2007; Tam et al., 2009). Repeat purchases and consumption may reflect deliberate decision-making and a continuous preference for and commitment to a brand. Alternatively, consumption can simply be a manifestation of a person's disposition to repeat past behavior without much thought to the purchase. In the marketing literature, the former is known as

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