

ARTIFICIAL INTELLIGENCE AND MARKETING ETHICS: CONCERNS IN CONSUMER DATA HANDLING AND BEHAVIOURAL TARGETING

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ABSTRACT

The rapid integration of Artificial Intelligence (AI) into marketing practices has transformed the way businesses collect, analyse, and use consumer data. While AI-driven marketing offers significant advantages such as personalised advertising, improved customer experience, and cost efficiency, it also raises critical ethical concerns around privacy, consent, manipulation, and fairness. This paper examines the ethical issues that arise from the use of consumer data and behavioural targeting in AI-powered marketing. Drawing on existing literature, regulatory frameworks, and real-world cases, the study discusses concerns related to data surveillance, algorithmic bias, lack of transparency, and the psychological impact of targeted advertising. The paper also explores existing regulatory responses such as the General Data Protection Regulation (GDPR) and India's Digital Personal Data Protection Act (DPDPA), 2023. The findings suggest that while AI holds enormous potential for marketing innovation, organisations must adopt ethical frameworks and responsible data governance practices to protect consumer rights and maintain public trust.

Keywords: Artificial Intelligence, Marketing Ethics, Behavioural Targeting, Consumer Data, Privacy, Algorithmic Bias, GDPR, Data Governance, Surveillance Capitalism, Digital Rights

INTRODUCTION

Artificial Intelligence has emerged as one of the most powerful forces reshaping modern business. In marketing, AI applications have moved far beyond basic automation. Today, companies use AI to predict consumer behaviour, personalise advertisements, optimise pricing in real time, and even generate marketing content autonomously. The global AI in marketing market was valued at approximately USD 15.84 billion in 2021 and is expected to grow at a compound annual growth rate (CAGR) of over 26% through 2028 (Grand View Research, 2022). This growth has been fuelled by the explosion of digital data. Every time a user browses a website, likes a social media post, searches for a product, or uses a mobile application, data is being collected. AI systems process this data at a scale and speed impossible for humans, and use it to build detailed profiles of individual consumers. These profiles are then used for behavioural targeting — a technique that delivers specific advertisements or content to people based on their predicted interests, habits, and even psychological traits.

While this level of precision in marketing offers clear business benefits, it has also created a new set of ethical challenges. Questions around informed consent, data security, manipulation, transparency, and the digital divide have become increasingly urgent. In many cases, consumers are unaware of the extent to which their data is collected and used. AI systems can exhibit bias, reproduce discrimination, and create 'filter bubbles' that restrict the range of information consumers are exposed to. This paper aims to provide a comprehensive examination of the ethical issues associated with the use of consumer data and behavioural targeting in AI-driven marketing.

REVIEW OF LITERATURE

The intersection of AI, marketing, and ethics has attracted growing academic attention in recent years. Scholars have examined this space from multiple angles — technological, legal, psychological, and social.

Taddeo and Floridi (2018) argued that the deployment of AI in commercial settings requires a proactive ethics approach rather than reactive regulation. They emphasised that ethical AI must be embedded into system design from the beginning, not added on as an afterthought.

Mittelstadt et al. (2016) explored the ethics of algorithms and identified six key concerns: inconclusive evidence, inscrutable evidence, misguided evidence, unfair outcomes, transformative effects, and traceability. These concerns are especially relevant in marketing contexts where algorithmic decisions directly affect what products consumers see, what prices they are offered, and what information reaches them.

Zuboff (2019) coined the term 'surveillance capitalism' to describe a new economic logic in which the personal data of users is treated as raw material to be processed and sold. She argued that this model fundamentally alters the power relationship between corporations and consumers, reducing individuals to data points whose behaviour can be predicted and modified for profit. Her work has been particularly influential in framing AI marketing as a structural ethical problem, not merely a technical one. From a consumer behaviour perspective,

Boerman et al. (2017) found that personalised advertising can create feelings of discomfort and invasion of privacy, particularly when consumers perceive that they are being 'watched.' This phenomenon, sometimes called the 'creepiness factor,' can damage brand trust.

Aguirre et al. (2015) added nuance by showing that personalisation can feel positively relevant or negatively intrusive depending on the degree of transparency about data collection. Indian scholarship has also contributed to this field.

Krishnamurthy and Dass (2021) examined the implications of India's evolving data protection landscape for digital marketing, noting that in the absence of strong enforcement mechanisms, self-regulation by companies remains inadequate.

The passage of India's Digital Personal Data Protection Act (DPDPA) in 2023 has introduced new obligations for data fiduciaries, though debates around its implementation continue. The literature points to a consistent theme: the ethical risks of AI in marketing are not incidental but structural, and addressing them requires technical solutions alongside changes in corporate culture, law, and consumer awareness.

AI Techniques Used in Marketing

To understand the ethical concerns, it is important to first understand how AI is used in contemporary marketing. Several techniques are particularly relevant. Machine learning (ML) algorithms analyse historical consumer data to identify patterns and make predictions. For example, an e-commerce platform might use ML to predict which products a user is likely to buy next based on their browsing history. Retailers like Amazon have built their entire recommendation engine on such systems. While highly effective, predictive analytics raise concerns about the perpetuation of past biases — if historical data reflects discriminatory patterns, the model will replicate and amplify them. NLP enables machines to understand and generate human language. In marketing, NLP is used for sentiment analysis (understanding how consumers feel about products), chatbots, and content personalisation. While these

applications improve customer experience, they also involve the continuous processing of conversations, reviews, and social media posts — often without explicit consumer awareness.

Perhaps the most ethically controversial use of AI in marketing is psychographic profiling. Using data from social media behaviour, app usage, and other sources, AI systems can infer personality traits, emotional states, and political views. The Cambridge Analytica scandal of 2018 brought global attention to this issue, as data from millions of Facebook users was used without consent to build psychographic profiles for political advertising. The same techniques are used in commercial marketing, often without consumers' knowledge. Programmatic advertising uses automated systems to buy and sell digital ad space in real time. When a user loads a webpage, an auction takes place in milliseconds, and the winning advertiser's ad is displayed based on the user's inferred profile. This system involves dozens of intermediaries — data brokers, demand-side platforms, supply-side platforms — each processing consumer data, often without a clear chain of consent.

KEY ETHICAL ISSUES

One of the most fundamental ethical principles in data use is informed consent — the idea that individuals should knowingly agree to how their data is collected and used. In practice, Consent in the digital world is often an illusion. Most users do not read the lengthy, complex terms and conditions they agree to.

Research by Obar and Oeldorf-Hirsch (2020) found that fewer than one percent of users actually read privacy policies before clicking 'agree.' When consent is given under conditions of ignorance, it cannot be considered truly informed. AI marketing systems create an environment of pervasive data surveillance. Consumers are tracked across websites, devices, and even physical locations through GPS data and, increasingly, facial recognition technology. The concept of 'contextual integrity' introduced by Nissenbaum (2004) holds that information flows appropriately only when they match the norms of the context in which the information was originally shared. When data shared in one context — such as a health monitoring app — is used in a completely different context, such as targeted pharmaceutical advertising, it violates this principle and undermines consumer dignity.

AI systems are only as fair as the data they are trained on. When training data reflects historical inequalities — such as racial bias in credit scoring or gender bias in job advertising — the resulting algorithms reproduce and often amplify these inequalities. A widely cited study by Sweeney (2013) found that searches for names more commonly associated with Black Americans were more likely to trigger advertisements for arrest records, even when no criminal history existed. Such biased targeting can cause real harm and reinforce damaging social stereotypes. Behavioural targeting based on psychographic profiling can cross the line from legitimate persuasion to manipulation. When advertising is designed to exploit emotional vulnerabilities, cognitive biases, or personal insecurities identified through AI analysis, it undermines consumer autonomy. For example, targeting individuals showing signs of depression with gambling advertisements, or targeting children with impulsive buying triggers, is not merely aggressive marketing — it is ethically indefensible. The challenge is that AI makes such exploitation highly scalable and largely invisible to both consumers and regulators.

Many AI systems used in marketing are 'black boxes' — their decision-making processes are not transparent even to the companies that deploy them. When a consumer receives a certain advertisement, is denied a promotional discount, or is shown a particular price, they typically have no way of knowing why. This lack of explainability makes it nearly impossible for consumers to challenge unfair decisions, or for regulators to identify violations. The principle

of Explainable AI (XAI) has emerged as a response, but its adoption in marketing contexts remains limited. AI-driven marketing does not affect all consumers equally. Individuals with lower digital literacy are less equipped to understand how their data is used or to exercise meaningful opt-out choices. AI systems may specifically target vulnerable populations — the elderly, low-income groups, or those in financial distress — with predatory financial products or addictive services. This deepens existing social inequalities and raises serious questions about distributive justice in the digital economy.

REGULATORY AND POLICY RESPONSES

Governments and international bodies have begun to respond to these ethical challenges with regulatory frameworks, though significant gaps remain. The General Data Protection Regulation (GDPR), implemented by the European Union in 2018, is widely regarded as the world's most comprehensive data protection law. It requires informed consent for data collection, grants individuals the right to access and delete their data, and mandates that organisations provide explanations for automated decisions that significantly affect individuals. The GDPR has imposed significant compliance obligations on global companies and has served as a model for other jurisdictions (European Parliament and Council of the European Union, 2016). In India, the Digital Personal Data Protection Act (DPDPA), 2023, represents a significant legislative step forward. The Act requires data fiduciaries to obtain explicit consent from users before processing their data, appoint Data Protection Officers, and establish accessible grievance redressal mechanisms. Critics have noted that the Act grants the government broad exemptions for national security and public order purposes, and may not provide sufficient protection against commercial data exploitation.

In the United States, there is no single comprehensive federal data privacy law, though the California Consumer Privacy Act (CCPA) and its successor, the California Privacy Rights Act (CPRA), have introduced important protections at the state level. The Federal Trade Commission (FTC) has also taken action against deceptive data practices in marketing, though enforcement has been inconsistent across industries. Despite these regulatory efforts, significant gaps remain globally. Data brokers — intermediaries who buy and sell consumer data — operate largely outside direct regulatory scrutiny. Cross-border data flows make enforcement difficult. The rapid pace of AI development frequently outstrips the capacity of regulators to keep up. Industry self-regulation through voluntary codes of conduct has been widely criticised as insufficient, given the powerful financial incentives to exploit consumer data.

RECOMMENDATIONS

Addressing the ethical challenges of AI in marketing requires coordinated action at multiple levels — from companies, regulators, civil society, and individual consumers. First, organisations must adopt an 'ethics by design' approach, embedding privacy protection, fairness, and transparency into AI systems from the earliest stages of development rather than treating them as compliance add-ons. This includes conducting regular algorithmic audits, diversifying training data to reduce bias, and establishing internal ethics committees with genuine authority and resources. Second, meaningful consent mechanisms must replace the current practice of lengthy, unreadable privacy policies. Layered consent — where consumers are given clear, plain-language summaries and genuine choices about each category of data use — is a more ethical alternative. Companies should be required by law to make opt-out mechanisms as easy to find and use as opt-in ones. Third, regulators must invest in building the technical capacity to monitor and audit AI systems in real time. International cooperation between regulatory bodies is essential given the inherently global nature of

digital advertising. India's DPDPA could be significantly strengthened by removing broad government exemptions and ensuring the independence of the Data Protection Board from executive influence.

Fourth, media and digital literacy education should be integrated into school curricula and supported through public awareness campaigns, so that consumers understand how their data is collected and used, and can make genuinely informed choices. Empowering consumers through knowledge is a necessary complement to regulatory protection. Fifth, the marketing industry itself must embrace ethical leadership rather than waiting for regulation. Industry associations should develop enforceable codes of conduct with credible sanctions for violations. Companies that demonstrate responsible data practices should be publicly recognised, creating positive market incentives for ethical behaviour.

CONCLUSION

Artificial Intelligence has fundamentally changed the landscape of marketing, creating new opportunities for personalisation, efficiency, and consumer engagement. These advances come with serious ethical responsibilities that cannot be ignored or deferred. This paper has argued that the ethical challenges of AI in marketing are not merely technical problems to be solved by better algorithms. They are structural issues rooted in the commercial incentives of the digital economy, the power imbalance between corporations and consumers, and the inadequacy of current regulatory frameworks. Addressing them requires a comprehensive, multi-stakeholder approach that combines ethical system design, meaningful regulation, industry accountability, and genuine consumer empowerment. As AI systems become more powerful and more deeply embedded in daily life, the stakes grow higher. The choices made today about how to govern AI in marketing will shape the kind of digital society we inhabit in the coming decades. It is essential that these choices be guided by a genuine commitment to human values, social justice, and the long-term public good — not merely by short-term commercial gain. Future research should focus on evaluating the real-world effectiveness of existing regulatory frameworks, developing practical tools for algorithmic auditing at scale, and examining the psychological impact of AI-targeted advertising on different and particularly vulnerable consumer populations.

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