

Managing Personalization-Privacy Paradox of Digital Services: A Systematic Literature Review

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Effective utilization of personal data contributes to greater customer satisfaction and provides a better fit between the offer and customer need, which can be leveraged as competitive advantage. However, consumers may be reluctant to share their personal information due to privacy concerns. This is referred to as the personalization-privacy paradox, and firms need to deal with the paradox to maximize benefits to all. The purpose of this study is to provide further understanding of how to manage the personalization-privacy paradox of digital services. This study reviews privacy and personalization literature using a systematic literature review methodology. Research examines various theories and empirical findings to deconstruct the personalization privacy paradox and develop a conceptual decision framework. The study provides suggestions on how to manage the personalization-privacy paradox of digital services. Key to increasing the value of personalized services are a clear privacy policy, only collecting data suitable for specific business contexts, and creating a positive emotional customer response to organizational data management.

Research methodology

A systematic literature review (SLR) evaluates the contribution of the published studies on the relevant topics. Following Tranfield et al. (2003), this study employs a three-stage approach. In the first stage, a review panel directs the process and resolves the disputes over the protocol. An iterative process of definition, clarification, and refinement is performed. A comprehensive and unbiased search in the second stage uses strict selection criteria to ensure that only the best-quality evidence is incorporated into the review. The process of research selection involves several steps, and extensive primary research papers are synthesized and presented for both academics and practitioners.

Key findings

From the results a conceptual framework is developed to explain how individuals decide whether to disclose personal information in a specific context. Practical suggestions are offered to firms on how to deal with the personalization-privacy paradox of digital services. Since context-specific privacy concerns may override general privacy concerns, firms need to carefully consider the personal information to be collected based on the context in which the personalized services and products are provided. If customers can easily estimate the potential risk of data misuse, they will have lower privacy concerns. Thus, the presentation of privacy policy needs careful curation, as this is an important medium for customers to learn about the privacy protection mechanism. The value and usefulness of the personalization is influential on customers' privacy decisions, as customers agree to share their personal information only

when the perceived benefits outweigh the potential cost. Firms should be aware that negative emotions, e.g. anxiety and worry about potential data misuse, could lead to higher privacy concerns. Firms need to maintain a positive reputation through good data protection practices that reassure customers that their personal information is well protected.