
Summary Brief

How do you know me? Determinants of Consumer Avoidance of Personalized Advertising on the Web

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In this study, we attempt to explain why consumers avoid personalized ads on the Web. To do so, we propose a model describing four determinants of consumer avoidance of personalized ads on a Website: privacy concerns, boredom, irritation, and perceived usefulness. The results of structural equation modeling show that (1) privacy concerns have an indirect positive effect on ad avoidance, mediated by irritation; (2) perceived usefulness has direct and indirect negative effects via irritation on ad avoidance; and (3) boredom has direct and indirect positive effects via irritation on ad avoidance.

Introduction

Personalization is one of the characteristics of Internet ads. Internet advertisers can personalize their ads match individual consumers' needs by analyzing consumers' information on the Internet. However, consumer reactions to such ads may not always be positive. Then what determines consumer avoidance of personalized online advertising? In this study, we develop and test a new model to describe the determinants of consumer avoidance of personalized Internet advertising.

Literature Review

Consumers choose to avoid being exposed to some ads. Such consumer behavior is called advertising avoidance, defined as “media users' behavior to decrease chances to be exposed to an advertisement” (Speck and Elliot, 1997, p. 61).

As potential determinants of ad avoidance, irritation due to the ad and boredom due to repeated exposure to same ads have been the focus in some studies (cf., Aaker and Bruzzone 1985).

Taking a general view of the field of personalized ads, it is difficult to be separated from privacy issues because the ads are

based on consumers' personal information. White, Zarhay, Thorbjornsen, and Shavitt (2008) invoked psychological reactance theory in suggesting that perceived diminution in freedom induces an emotional state, called psychological reactance, elicits behaviors intended to restore autonomy (Brehm 1966). They found that a consumer experienced psychological reactance in response to personalized e-mail advertising and that reactance was mitigated by the perceived usefulness of the advertising messages.

Following White et al. (2008), Baek and Morimoto (2012) proposed a structural model to suggest that two constructs, irritation and privacy concerns, positively affect ad avoidance, both directly and, via skepticism, indirectly. They also identified an additional determinant, perceived personalization, which decreased skepticism and ad avoidance.

Proposed Model

The proposed model in this study is a modified model based on Baek and Morimoto's model (2012) as follows.

First, while Baek and Morimoto modeled skepticism as a mediator because consumer privacy is violated by advertiser, we should not do so because consumers are not skeptical about the information of personalized online ads for the reason they are threatened their privacy by advertisers, but by advertising media. Instead, as a mediator, we model irritation which has been regarded as a key determinant of ad avoidance. In connect with irritation, turning now to privacy concerns. Baek and Morimoto's findings suggest that privacy concerns effect on ad avoidance, and they also claim “if consumers feel they lack of control over their personal information posed by personalized advertising, they are likely to have irritating experiences” (pp. 63f). Therefore; H1 Irritation has a positive impact on ad avoidance.

H2a Privacy concerns have a positive impact on irritation.

H2b Privacy concerns have a positive impact on ad avoidance.

Second, perceived personalization should be replaced by perceived usefulness because Baek and Morimoto (2012) assumed that, like perceived usefulness in White et al. (2008), the construct mitigates the level of psychological reactance. Note that Baek and Morimoto assumed consumers who perceive that the personalized ads are useful, when they claimed that perceived personalization negatively affects ad avoidance. Thus, we model the concept of perceived usefulness. Therefore;

H3a Perceived usefulness has a negative impact on irritation.

H3b Perceived usefulness has a negative impact on ad avoidance.

Finally, we introduce boredom as a new determinant to our model. In the case of personalized ads, ads that do not satisfy the consumer's needs are replaced with ads that satisfy his/her needs. As a result, consumers are exposed to limited kinds of ads. Then, they would perceive boredom due to repeated exposure of a particular advertisement (Berlyne 1970). Therefore;

H4a Boredom has a positive impact on irritation.

H4b Boredom has a positive impact on ad avoidance.

Methodology

To test the model proposed in the previous section, we used structural equation modeling with a consumer data set. We used multiple scales developed based on previous studies. Some indices like SCR and AVE suggest good reliability and validity. We administered a consumer survey in undergraduate classes at the business school of a university. They were asked to recall an experience in which they shopped for an item online one day and were then exposed to personalized Internet ads for that item on another day. To examine whether alternative models fit the data better than the proposed model, based on Baek and Morimoto, we estimated a comparison with three competing models: (a) a model with only an indirect relationship between ad avoidance and its three determinants via irritation; (b) a model with alternative paths from perceived benefit (i.e., perceived usefulness) to ad avoidance via perceived cost (i.e., privacy concerns, boredom, and irritation); and (c) a model with alternative paths from perceived cost to ad avoidance via perceived benefit.

Result

The structural model shows good fit to the data [$\chi^2=33.64$, $\chi^2/df=1.35$, GFI=0.98, AGFI=0.95, RMSEA=0.03, SRMR=0.02]. All parameter estimates have adequate signs as previously hypothesized and are significant at the 1% or 5% level, except H3. Results of Sobel's test indicate that the relationships between ad avoidance and three determinants are mediated by irritation [Z-values=3.94, -5.02, and 3.94 ($p < 0.01$)]. The result of examination is that the proposed model has the more favorable Akaike information criterion than all competing models. Also, for the proposed model, GFI and CFI are highest, whereas χ^2/df , SRMR, and RMSEA are lowest, suggesting a closer fit of the data to the model than to the competing models.

Discussion

We developed a first model to explain why consumers might want to avoid personalized Internet ads. Our empirical research indicated that irritation had a strong effect on consumers' avoidance of personalized ads ($\beta = 0.45$, $t = 6.40$, $p < 0.01$). If a consumer is irritated with the personalized online ads, he/she is more likely to avoid the ads. Privacy concerns had an indirect impact on ads avoidance via irritation ($\beta = 0.29$, $t = 5.01$, $p < 0.01$). However, privacy concerns had not a direct impact on ad avoidance ($\beta = 0.01$, $t = 0.09$, $p > 0.15$). This result might be because tracking of personal information is already common practice. Boredom also had positive effects on irritation ($\beta = 0.31$, $t = 5.08$, $p < 0.01$) and ad avoidance ($\beta = 0.15$, $t = 2.16$, $p < 0.01$). If a consumer finds all advertising spaces on the Website filled with the same kind of ads by making ads personalized, he/she is more likely to be bored due to ad repetition. Instead, usefulness had negative impacts on irritation ($\beta = -0.38$, $t = -8.10$, $p < 0.01$) and ad avoidance ($\beta = -0.14$, $t = -2.33$, $p < 0.05$). If a consumer perceives that the personalized Internet ad is useful, he/she is less likely to be irritated and therefore less likely to avoid the ads.

This study has some limitations. First, the results showed that although most fit indices were within the recommended range, some were not. Second, because we conceptualized only four determinants in our model, future research should investigate other possible determinants of ad avoidance in addition to the four factors. Despite these limitations, this study contributes to our knowledge of consumer avoidance of personalized ads on the Web.

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