

# Managerial response strategies to the marketing personalization-privacy paradox

**Jie YU KERGUIGNAS**

Université de Fribourg

**Olivier Furrer**

Université de Fribourg

Cite as:

YU KERGUIGNAS Jie, Furrer Olivier (2020), Managerial response strategies to the marketing personalization-privacy paradox. *Proceedings of the European Marketing Academy*, 49th, (64097)

Paper from the 49th Annual EMAC Conference, Budapest, May 26-29, 2020.



## **Managerial response strategies to the marketing personalization-privacy paradox**

In line with the Contemporary Marketing Practices research, this paper explores the practices of marketing practitioners regarding the management of paradox and extends the understanding of marketing strategy in today's digital environment through a paradox perspective. Numerous studies have investigated the consumer responses to the personalization-privacy paradox; however, the managerial response strategies to this paradox are somewhat unknown. The current study uses an experimental vignette methodology to provide empirical support to validate the extended response strategy typology and reveals the direct as well as the interactive influence of the characteristics of paradox and personal factors on the use of managerial response strategies to the personalization-privacy paradox. The current study contributes to deepening the understanding of marketing strategy in today's digital environment. The findings of the current paper also allow top management to anticipate better and manager the reaction of their marketing managers when it comes to dealing with the personalization-privacy paradox.

*Keywords: Marketing strategizing, response strategies to paradox, personalization-privacy paradox.*

*Identity of the track: Marketing strategy*

## 1. Introduction

Contemporary Marketing Practices (CMP) as a formal research program contributes to improving the understanding of marketing practices in different organizational, economic, and cultural contexts. CMP studies adopt a practice perspective and claim that strategy should not be considered as something that an organization has but something its members “do” (Denis, Langley & Rouleau, 2007) — strategizing. CMP studies use a multi-theoretical approach, which breaks through the boundaries of alternative aspects of marketing and allows understanding marketing practices and strategy better. It is interesting to note that CMP research calls for the study of paradox embedding in technologies (Brodie, Coviello & Winklhofer, 2008), especially in this period of upheaval and renewal. Recent empirical research has investigated the consumer technology paradox, the paradox of mobile technology as well as the personalization-privacy.

However, there is a general lack of awareness regarding the management of paradox in organizations. This lack of awareness of importance paradox management could result in the misunderstanding of top managerial decisions and the inability of marketing managers to make sense of contradictory strategic decisions. In particular, in today's digital environment, marketing is poised to be local and global, efficient and effective, relational and transactional, visionary, and practical. In this regard, O'Driscoll (2008) stresses, "a deeper conversation with the notion of paradox should be of benefit to marketing theory and practice." Adopting a paradox lens in marketing strategy building allows dealing with the increasing tensions in digital-enabled marketing activities and giving meaning to the increasing change process. Moreover, the existence of contradictions or paradoxes per se is either productive or destructive, but how managers perceive and manage them.

However, there is no evidence of how the managerial responses to today's digital-enabled marketing paradoxes shape marketing strategies. For example, most of the studies investigate customer response to the personalization-privacy paradox (PPP), however, to the best of our knowledge, there is no empirical evidence of how managers respond to this paradox. Thus, we formulate two research questions:

1. What are the response strategies that marketing managers use to deal with the PPP?
2. In which circumstance do they use these different response strategies to deal with the PPP?

It is important to address the above questions because the practices of marketing practitioners constitute the resulting marketing strategy. The in-depth understanding of how marketing managers react to the PPP will allow the top management to anticipate and manage

the reaction of their team to the paradox better. Accordingly, the primary purpose of the current is to gain a more in-depth insight into what is the range of response strategies to the PPP, and when do managers use them.

We organized the remainder of the paper as follows. We first present the conceptual foundation for this study. This is followed by a description of the research hypothesis, research methodology, and findings. We then conclude the paper with a discussion of the key results, limitations, and critical implications.

## **2. Theoretical background**

### *2.1 The personalization and privacy paradox*

Internet users are highly concerned about the collection and use of their personal information (Gerber, Gerber & Volkamer, 2018). Digital technologies facilitate the process of personalized marketing; however, greater personalization of marketing approach may expand customer's sense of vulnerability and suspicion, and paradoxically result in lower customer adoption rates (Aguirre et al., 2015). In particular, in the use of location-aware marketing (Xu et al. 2011), customers can experience certain discomfort or, at worst, certain reactance vis-à-vis the marketing message. These reactions are the outcomes of a complex decision process, namely *privacy calculus*. The privacy calculus results in various privacy protection responses. Son and Kim (2008) shed light on six types of internet users' responses to privacy threats: *refusal* (i.e., Internet users refuse to provide their personal information), *misrepresentation* (i.e., Internet users claim false personal information), *removal* (i.e., Internet users eliminate their information from online companies databases), *negative word-of-mouth*, *complaining directly to online companies*, and *complaining indirectly to third-party organisations*. The response strategy to paradoxes is important because it allows understanding the management of the paradox better.

### *2.2 The response strategies to paradoxes*

Paradoxes, which manifest as tensions, are ever-present in daily marketing life. A variety of response strategies have been identified, which can be classified into defensive and active responses. Defensive responses allow actors to temporarily cope with paradoxical tensions and reduce anxiety but do not offer a sustainable way to work with the paradox (Jarzabkowski, Lê, & Van de Ven, 2013). Active responses consider paradox as a natural part of organizational life and attempt to deal with a paradox on a longer-term basis and result in a virtues circle that fosters sustainability (Smith & Lewis 2011). Through their longitudinal

research, Jarzabkowski et al. (2013) have emerged one active response (i.e., adjusting) and three defensive responses (i.e., splitting, suppressing, opposing). Furthermore, when decision-making being complex, one response strategy consists of postponing the final decision and think about all options thoroughly – indecision (Ferrai & Dovidio, 2000).

### **3. Hypothesis development**

#### *3.1 Characteristics of paradox*

##### Salience of paradox

Smith and Lewis (2011) have identified two types of tensions – latent and salient tensions. Latent tensions refer to the unperceived or ignored contradictory yet interrelated elements, which embedded in marketing organizing processes and persist over time. Salient tensions concern “the contradictory yet interrelated elements experienced by organizational actors” (Smith & Lewis 2011, p. 389). Freud (1937) explains that tensions or contradictions generally foster anxiety and stress. Thus, when an individual experiences a paradox, he or she tends to deny, hide, or reject the tensions. In other words, individuals are more likely to use defensive response strategies (i.e., suppressing, splitting, opposing, and indecision) than active response strategies (i.e., adjusting) to deal with salient paradox.

*H1. When marketing practitioners experience salient tension, compare to latent tension, they are more likely to use a (a) splitting, (b) suppressing, (c) opposing, (d) indecision, and less likely to use an (e) adjusting to deal with PPP.*

##### Uncertainty

An individual experiencing a highly uncertain paradox will have difficulty in understanding the direction in which the situation might be changing and thus tends to experience a high degree of stress, and a lack of confidence on the organization’s managers and employees (Waldman, Ramirez, House, & Puranam, 2001). In this sense, when a manager perceives the high uncertainty PPP, the individual could become unwilling to engage in compromise (Lüscher & Lewis, 2008), and use the defensive response to engage in an active confrontation. On the contrary, when the uncertainty of the PPP is low, the practitioner could feel confident in the organization's managers and employees and experience a strong internal control, which fosters active responses to paradox accordingly.

*H2. When marketing practitioners experience high uncertainty, compare to low uncertainty, they are more likely to use a (a) splitting, (b) suppressing, (c) opposing and (d) indecision, and less likely to use an (e) adjusting to deal with the PPP.*

### Time constraint

The research suggests that time pressure can change one's judgments and choices process by reducing one's ability to correctly collect and evaluate information (Park, Iyer, and Smith 1989). When the time constraint of the PPP is low, the practitioner can either separate temporally the contradictory elements of personalization and privacy paradox temporally (i.e., dealing with one, then the other) or be indecisive and postpone the decision-making later on.

*H3. When marketing practitioners perceive low time constraints, compare to high time constraints, they are more likely to use an (a) splitting, (b) suppressing, (c) opposing, (d) indecision, and less likely to use an (e) adjusting to deal with the PPP.*

### 3.2 Personal factors

#### Cognitive complexity

Cognitive complexity is the characteristic that measures the degree to which an individual can differentiate among various constructs in the environment. Individuals who are high in cognitive complexity possess the ability to perceive constructs in more dimensions than do individuals who are low in cognitive complexity. Accordingly, the individuals who are high in cognitive complexity have more ability to perceive and host paradoxical cognition (Smith & Lewis, 2011) and accept more easily the paradoxical situation.

*H4. When marketing practitioners have low cognitive complexity, compare to those who have high cognitive complexity, they are more likely to use a (a) splitting, (b) suppressing, (c) opposing, and (d) indecision and less likely to use an (e) adjusting to deal with the PPP.*

#### Emotional equanimity

Emotional equanimity refers to an emotional state of calmness, balance, evenness, and internal control (Holland, 1992), which reduces anxiety and fosters active responses to paradox accordingly. The study of Holland (1992) on the emotion work of the Western Indonesian group shows that emotional equanimity can be achieved with an effort to minimize the intense emotional defensiveness and fight the disorder and confusion again. In doing so, it fosters comfort and acceptance to contradictions and leads to a virtuous cycle.

*H5. When marketing practitioners have low emotional equanimity, compare to those who have high emotional equanimity, they are more likely to use a (a) splitting, (b) suppressing, (c) opposing, and (d) indecision and less likely to use an (e) adjusting to deal with the PPP.*

Emotion is a form of cognitive complexity. Smith and Lewis (2011, p. 392) propose, "Actors with cognitive and behavioral complexity and emotional equanimity are more likely to accept paradoxical tensions rather than respond defensively."

*H6. When marketing practitioners have low emotional equanimity and low cognitive complexity, compare to those who have high emotional equanimity and high cognitive complexity, they are more likely to use a (a) splitting, (b) suppressing, (c) opposing, and (d) indecision and less likely to use an (e) adjusting to deal with the PPP.*

#### **4. Methodology**

We use an experimental vignette methodology (EVM), which has proven its usefulness in the strategic decision sciences. Our EVM uses a three-factor by two-level between-subjects design, which results in eight vignettes. Our data collection was made in two stages; first, we sent the questionnaire to 40 digital and marketing managers who have sent the questionnaire to their network thereafter; second, we contacted 158 digital and marketing professionals through Inmail in LinkedIn with a response rate of about 20%. In total, we have received 177 responses. The vignettes in our EVM describe the situations where the marketing manager was assigned to work on a project of location-aware mobile application development. We manipulated the salience of the personalization-privacy paradox by the number of unsubscribing. The uncertainty was manipulated in terms of corporate resources and human and team competence. The time constraint varied from two weeks to two years. We used a four-factor MACOVA to check the effect of these manipulations. The results show that the effects of the four factors are strongly significant at 1% (i.e., the respondents have well understood the manipulations). The interaction of the different items was checked to ensure that there is no confounding effect of the manipulations. The results show that none of them is significant. The study used existing scales for measuring emotional equanimity (Chan et al., 2014). However, scales for the other constructs (i.e., five response strategies and cognitive complexity) were developed based on the definitions and the context of personalization and privacy paradox. The new scales for the constructs have been verified through the four-phase iterative procedure of pretests. The social Desirability scale, age, and gender were also controlled.

##### *4.1 Analyses and results*

The alphas and the composite reliability of the measures are greater than 0.70. The factor loading exceeds 0.50. And average variances extracted (AVE) are greater than the surrounding values. We used AMOS 26 to conduct a series of confirmatory factor analyses.

The analyses reveal no offending estimates in the model. In the stage of CFA, the loading of the first indicators was fixed to 1 for scaling purposes. Thus, each item was only allowed to load on its corresponding construct, and errors are uncorrelated. Regarding the psychometric properties of our model, the results are displayed in Table 1.

Model	$\chi^2$	d.f.	p-value	$\chi^2$ /d.f.	RMSEA [90% CI]	SRMR	NNFI(TLI)	CFI	GFI	AGFI
	260	160	0	1.624	0.060 (0.046-0.073)	0.06	0.94	0.95	0.88	0.84

Table 1. Table of overall fit indices

As displayed above in Table 2, we have conducted a MACOVA analysis to test the effect of individual and situational factors on response strategies. Regarding the analysis, we first calculated the average scores for each response strategy and used it as dependent variables and the scenario manipulations and individual factors as the fixed factors, with age, gender, and social desirability as covariates. Before the analysis, we examined the MANCOVA assumptions and found no violations. The MANCOVA tests indicate significant differences in the exchange variables.

		Splitting	Suppressing	Opposing	Indecision	Adjusting	Wilks $\Lambda$ (F)
Salience of paradox	L	3.05	3.43	2.75	2.90	4.99	0.76**
	H	4.05	2.46	2.69	2.68	4.76	(9.76)
	(F)	<b>(25.36)**</b>	<b>(25.29)**</b>	<b>(0.12)</b>	<b>(1.57)</b>	<b>(2.77)<sup>+</sup></b>	
Uncertainty	L	3.65	2.95	2.13	2.74	5.13	0.71**
	H	3.45	2.95	3.13	2.85	4.62	(12.31)
	(F)	<b>(1.12)</b>	<b>(0.00)</b>	<b>(47.65)**</b>	<b>(0.40)</b>	<b>(13.72)**</b>	
Time constraint	L	3.92	2.45	2.63	3.61	4.76	0.57**
	H	3.17	3.44	2.80	1.96	5.00	(22.64)
	(F)	<b>(15.02)**</b>	<b>(26.76)**</b>	<b>(1.05)</b>	<b>(86.47)**</b>	<b>(3.04)<sup>+</sup></b>	
Complexity cognitive	L	3.82	3.21	2.70	2.64	4.50	0.81**
	H	3.28	2.68	2.74	2.95	5.26	(6.93)
	(F)	<b>(4.73)<sup>+</sup></b>	<b>(4.75)<sup>*</sup></b>	<b>(0.04)</b>	<b>(1.99)</b>	<b>(18.85)**</b>	
Emotional equanimity	L	3.68	2.82	2.75	3.16	4.37	0.77**
	H	3.42	3.07	2.68	2.43	5.39	(8.80)
	(F)	<b>(1.06)</b>	<b>(1.08)</b>	<b>(0.10)</b>	<b>(10.63)**</b>	<b>(34.26)**</b>	
Complexity cognitive $\times$ Emotional equanimity	LL	3.97	3.08	2.74	2.76	4.26	0.91 <sup>*</sup>
	LH	3.67	3.35	2.66	2.52	4.74	(2.81)
	(F)	<b>(0.42)</b>	<b>(0.00)</b>	<b>(0.01)</b>	<b>(4.47)<sup>*</sup></b>	<b>(9.16)**</b>	
Age	O	3.33	2.93	2.72	2.49	5.62	0.88 <sup>*</sup>
	Y	3.59	3.00	2.70	2.52	5.4	(3.92)
	(F)	<b>(2.62)</b>	<b>(0.00)</b>	<b>(0.00)</b>	<b>(0.25)</b>	<b>(18.49)**</b>	
Social desirability	L	3.35	3.29	2.78	2.49	4.83	0.85**
	H	3.78	2.66	2.63	2.57	5.45	(5.26)
	(F)	<b>(2.96)</b>	<b>(0.83)</b>	<b>(1.10)</b>	<b>(0.41)</b>	<b>(20.03)**</b>	
Corrected model		8.21**	8.10**	6.26**	12.81**	24.72**	

Notes: n = 177. L = low; H = high. M = male; F = female. Age: Y = 16 - 49 years old; O  $\square$  49 years old; Social desirability: L  $\square$  0.395; H  $>$  0.395.

<sup>a</sup> Values are the mean level of each response and could range from 1 to 7. <sup>b</sup> The F-values in the rows list the univariate effects on the dependent variables. <sup>c</sup> The multivariate column lists the multivariate effect of each independent variable on the five response strategies. <sup>\*</sup>  $p < 0.05$ ; <sup>\*\*</sup>  $p < 0.01$ ; <sup>+</sup>  $p < 0.1$

Table 2. MANOVA test results

On the basis of the MANOVA test, as displayed in Table 2, the six hypotheses have been all been partially supported, as illustrated in Table 3.

	a (splitting)	b (suppressing)	c (opposing)	d (indecision)	e (adjusting)
H1. Salience of paradox	Supported	Not supported	Not supported	Not supported	Supported
H2. Uncertainty	Not supported	Not supported	Supported	Not supported	Supported
H3. Time constraint	Supported	Not supported	Not supported	Supported	Supported

<b>H4. Cognitive complexity</b>	Supported	Supported	Not supported	Not supported	Supported
<b>H5. Emotional equanimity</b>	Not supported	Not supported	Not supported	Supported	Supported
<b>H6. Cognitive complexity x Emotional equanimity</b>	Not supported	Not supported	Not supported	Supported	Supported

Table 3. The results of the hypothesis.

## 5. Discussion

This study allows shedding light on the characteristics of paradoxes as well as personal factors that influence the response strategies to the paradoxes. Our finding reveals that facing a salient PPP, marketing practitioners tend to separate temporally the two poles of the tension (i.e., splitting), whereas facing a latent paradox, they more likely to prioritize one pole the tension (i.e., suppressing) or accepting the two-pole of the tension (i.e., adjusting). Splitting is considered as the least conflicting response strategy. When the tension between personalized marketing action and privacy issue is high, separating the two poles of tension temporarily (i.e., postpone the personalization) allows reducing the tension in the short-term and allows marketing managers having time to find a solution to deal with the paradox thereafter. Whereas when the tension is low – latent PPP, strategists feel more confident ignore the privacy issues of the customer or embracing the two-pole of the tension (e.g., developer the functionality in the app to collect the data and assure the customer about this choice). When the time constraint of the PPP is low, marketing managers are more likely to stay indecision. Research shows that factors such as information asymmetry, and time constraint could foster indecision and reduce one's ability to stay cognitive focus (Harriott, 1996). Alternatively, marketing managers could make a decision on the basis of one pole of the tension (i.e., splitting) and come to cover the other pole later on. Whereas when the time constraint of the PPP is high, marketing managers tend to make a more radical decision (i.e., suppressing) as they have less time to take a step back and think more holistically. In this sense, time constraint could be a factor that influences the quality of the decision-making negatively. In some situations, research shows that time constraints could create the cognitive discrepancy, which stimulates a state of alertness, vigor, and activation (Liebert & Morris 1967) that results in an increased effort and motivation to perform better (Eysenck & Calvo 1992). Thus, it encourages the adopting of adjusting. When uncertainty is low, marketers feel more comfortable taking an adjusting response and embrace the two poles of tension (i.e., adjusting), whereas when the uncertainty is high, they tend to confront the paradoxical elements actively (i.e., ignore the personalization demand from the commercial department). Consistent with the prior research, our research provides evidence that a manager who has a high cognitive complexity resort to a wide range of activities and a higher level of creativity

and embrace more easily the conflicting demands. Whereas the person who has lower complexity cognitive tends to either separate or prioritize one pole of the tension as it allows temporarily reducing the tension and thus offer an absolute psychological reassurance. Especially in western culture, paradoxes or contradictions are considered undesirable and eliminated or hidden (Shrivastava & Persson, 2014). In a similar vein, a marketing strategist who is under emotional stress (i.e., low in emotional equanimity) tends to be paralyzed (i.e., indecision) when it comes to handling the tension, especially in the PPP context.

The data supports our extended typology and reveals the direct as well as the interactive influence of the characteristics of paradox and personal factors on the use of response strategies – building a new theory of marketing strategy via a paradox lens. Our study permits top management to recognize the elements to be highlighted to encourage such a response strategy to the personalization-privacy paradox; or recognize the elements they must avoid if they do not want to encourage such a response strategy to the paradox. And thus, this understanding is important because it acknowledges the practices that constitute a marketing strategy from a management perspective.

## **6. Conclusion**

The findings of the current study show that practitioners respond differently to PPP. Some strategists may use active response (both-and), while others may use a defensive response (either-or). It differs according to the characteristics of paradoxes as well as personal factors. However, one crucial output of the current study is to show that there are no best paradoxical practices. In the real marketing organizational life, the defensive and active responses both are used to deal with paradox according to the particular circumstances, and it thus reveals the dynamic and complex interplay of paradoxical marketing strategizing.

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