

ETHICS IN DIGITAL MARKETING

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Abstract

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Abstract <p>The study aimed to determine whether there is a risk for companies of using hyper-targeted advertising and to find out what changes should be made in the formation of the strategy to avoid negative attitudes from customers to a hyper-personalized approach.</p> <p>This thesis consists of two parts: theoretical and empirical. The theoretical part provided a while number of terminologies and concepts on this topic, as well as important material for formulating the hypotheses that can be tested through empirical research.</p> <p>The study was based on the analysis of the interviews with specialists in this field, relevant articles, and books. The theoretical basis is formed by utilitarianism and duty-based ethical theories, the endowment effect, and uncanny valley theories.</p> <p>Empirical research was conducted in the form of an internet survey with a structured self-administered questionnaire. 84 participants from five different generations have taken part in the survey. The results were analyzed using a quantitative method with the help of the Microsoft Excel program and presented in the form of graphs.</p> <p>Based on the research undertaken, it was revealed that to a certain extent there is a risk of using hyper-targeted advertising. However, most of the responses do not consider targeting marketing a potential threat to their privacy, they usually have a neutral attitude toward it. Negative emotions are evoked mostly because of fear of cyberattacks and misuse of data; therefore, marketers need to counteract the prejudices of internet users by boosting the transparency and trust in relationships. The results of the research can be used for further studies in these areas.</p>		
Keywords digital marketing, ethics, hyper-targeted marketing		

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1 INTRODUCTION

1.1 Research background

In pursuit of creating a high-quality customer experience and competitive advantage, companies strive to collect and analyze customers' personal information to get a better understanding of human behavior. Analyzing that data identifies how to transform their business operations in a way that will increase the number of customers and their awareness of the products while at the same time saving the costs and improving efficiency. Based on the data obtained, companies have the opportunity to divide customers into certain categories and create a client-oriented marketing strategy. This method has the greatest benefit for companies because it is aimed at a specific group of potential buyers, which the product is aimed at. (Sherman 2019.)

Undoubtedly, with the increase in the number of new technologies and the significant spread of their use, it becomes more and more difficult to maintain a niche in the market and resist constantly growing competition. This often results in companies seeking to find more and more users' personal information to accurately predict trends and desires of potential customers. Moreover, advanced IT systems allow storing, analyzing, and tabulating whatever information more effectively. Thus, an improved set of tools can reach new sources of data for conducting research. (Strong 2015, 2-3.)

As a result, human behavior becomes a subject of constant monitoring (Strong 2015, 2). Companies strive to create extensive databases containing the records of online and offline purchases, browsing history, and many other things that help determine the detail about each individual consumer. Marketers' analysis of our online activities also includes evaluation of the information from traditional non-digital parts of peoples' lives. (Strong 2015, 198.)

While companies see a hyper-targeted approach as the only certain pathway to success and prosperity, the collection of users' data has been criticized or interpreted as no ethical for its lack of transparency and some cases of violation of human rights standards. In this regard, there is a risk that customers will begin to reject the use of this product or service, which can cause a loss of reputation and a decrease in demand. Although in all cases without exception, companies, to varying degrees, are invading people's privacy, affecting the personal data of the users themselves, and sometimes the data of their surroundings, the attitude towards what is happening seems extremely controversial. (Leonhard 2014.)

Recently, a significant part of internet users has started to show concern and dissatisfaction with the current situation. In particular, the reasons for resentment are often caused by the methods that companies resort to in gathering information as well as insecure storage of customers' personal data. Besides, some rightfully suspect that companies are using drastic measures such as listening to smartphones' microphones. (Moore 2020).

But in the meantime, information technology has had a significant impact on the modern world and change the way we look at our lives, as a result, some people do not have any negative emotional feelings about personal data collection. Experts believe that we live in the era of desensitized to the personal data society, that is ready to give up privacy to get the convenience of the higher-powered solutions and more advanced technologies. The average consumer does not care what is happening to their data unless something really bad happens. (Roerzer 2019.)

In view of the fact that digital marketing expenditures constitute a significant part of the overall marketing budget (Statista 2019b), marketers should be considered with care the high personalization strategy and radical methods of data collection because there is a possibility that the spread of the use of customers' data mining can harm relationships with the customer (Roetzer 2017).

1.2 Research objectives, research question,

Companies use big data technology, analyzing users' personal information with the purpose to determine their needs more accurately. Recently, cases of expression of dissatisfaction on the part of Internet users due to the loss of control over their own data on the network, as well as a threat to security and privacy, have become more frequent. The purpose of this thesis is to determine if there is a likelihood that customers will avoid the use of services or buying the product of the companies that apply a highly personalized advertising approach. Customers' attitudes toward data mining in digital marketing will be analyzed. In addition, the author will explore whether there is a breaking point for customers after which targeted marketing becomes intrusive.

The investigation of how imperative it is to use AI for businesses in today's marketplace will be conducted. The evidence concerning the inability to give up a personalization strategy will be provided. The suggestions and recommendations on how to improve targeted digital marketing strategy in order to avoid the rejection of brands by the customers are presented at the end of the paper.

Current situation of customers attitude toward highly personalized digital marketing is analyzed with the help of the following research questions:

The main question is:

1. How can brands maximize the impact of hyper-target marketing strategy and simultaneously comply with ethical and moral standards?

Two sub-questions are:

2. How justified is the desire of companies to implement online marketing today?
3. How do consumers perceive hyper-targeted marketing?

1.3 Research limitations

The first limitation of the thesis is a too general analysis of the reaction of internet users to targeted advertising, without concentrating on a specific market or business area. The main reason for this is the lack of sufficient data on the negative consequences of violating the personal boundaries of customers. Since the contradictions and disagreements between companies and customers regarding privacy on the Internet have arisen relatively recently, it can be assumed that the amount of available data is quite small. As a result, it is currently impossible to obtain reliable results by analyzing only one specific area of the business.

The second limitation is the lack of data about customers' attitudes in dynamic. The analysis conducted in the empirical research provided results that are relevant at the present time. To carry out a more detailed and in-depth consideration of the issue, a longer analysis of customer attitude and reaction toward hyper-personalized advertising in various markets is required.

The third limitation is a lack of difference in the concepts of digital advertising publishers (this includes search engines like Google and Yandex, as well as social media sites like Facebook, VK, LinkedIn) and brand marketers. There is an assumption that the attitude of users to platforms that publish ads and to the brands themselves, whose products are advertised, is similar. The author is inclined to believe that there is a direct projection of the negative reaction of customers who saw an unpleasant advertisement in social media directly to the brand.

The fourth limitation is that the study does not imply a comparative analysis regarding geographical location, it is believed that there are no significant differences in the behavior of online clients throughout the globe. However, legislation regarding personal data and online privacy in different countries may vary significantly. Therefore, there are several countries where the official law on online privacy is completely absent (Kuwait,

Uzbekistan, Saudi Arabia, Belarus), but in the territory of the European Union, the personal data of users is strictly protected by the directive. Despite this, the author does not set himself the task of assessing the integrity of companies concerning the law but wants to look at their activities from an ethical point of view.

1.4 Theoretical framework

The research undertaken presents several theories to explain why the research problem under study exists and that consists of the definitions relevant to the topic of the thesis. The theories and concepts are described, and the purpose of their use is clarified.

From the company perspective, three main concepts are applied: Growth hacking, Permission marketing, and Uncanny valley effect. Growth hacking is a concept that helps to identify the strategies that companies use with the aim of getting more customers with fewer expenditures. It also gives a basis for replying to such questions as to how important data analytics is and involving specialists from different spheres. The phenomena make clear the expansion of using social media as a preliminary platform for digital marketing. The permission marketing concept is explained through the theory of Seth Godin of the different stage of the brand-customer relationship and offer the comparison with the interruption-based marketing that are used for example on the radio and television. Uncanny valley effect used for an explanation of possible negative reactions that hyper-targeted advertising may cause.

In the part of the thesis where the problem is described from the consumers' perspective the theory of the Endowment effect is considered with the purpose to understand possible reasons for the unwillingness of the customers to share their personal information. The theory has significant divergence from the economic theory and provides the assumption why some people tend to increase the value of the thing that they possess.

In the final part of the work two ethical theories, utilitarianism and duty-based theory facilitate a broader knowledge of companies' behavior from an ethical standpoint. These theories guide the modern organization in the process of making any strategy decisions in compliance with certain moral rules.

1.5 Research methods and data collection

To be able to answer the research questions the author used a mix method of data collection, consisting of the relevant literature analysis and the internet survey.

A literature review is used because it allows to collect the current knowledge on the topic, as well as summarize and respect prior research. It also provides key discoveries and theoretical data that are needed for understanding the subject. The theoretical part delivers a significant number of terminologies, concepts, and various views on this topic to this study. Moreover, during the analysis of previous studies, the research gap in current knowledge was determined as well as the information for the future investigation. In other words, the literature review was a starting point for a new research direction. (Royal Literary Fund 2020.)

To find the primary data and obtain specific evidence supporting the assumptions received during the literature review empirical research was conducted. An experiment was held by using the internet survey, which involved 84 participants from five different generations. The quantitative method was used during gathering empirical evidence. The same set of questions was sent to the participants which helped to get a high number of responses that were achieved in a short period of time. (Bhat 2020.)

As a research approach, the deductive logic was used in this work, which is usual for these writing. The research is conducted based on the previous studies and findings that helped to define the research gap and formulate the research question. Starting with the existing topic, ethics in digital marketing, the author was testing the theory throughout the process of the research. Proceeding from the data obtained from previous investigations (books, interviews, TED speech presentations, studies, and articles) new more detailed data were gained. The theoretical framework was built, and the collection of empirical knowledge was already planned after studying established theories as well. Analyzing the results, making the conclusions, and formulating the recommendations have led to more detailed knowledge subsequently. (Ikävalko 2019a.)

In order to choose the research methodology, many factors must be considered. For example, the research contains the collection of different opinions and data of personal attitude to hyper-targeted advertising, which usually depends on previous experience gained, that is why it can be claimed that the data is evaluated subjectively. One of the main goals was to collect persuasive arguments and explanations that can be advanced for one or another direction of the digital marketing strategy. The recommendations based on the results obtained are provided at the end of the work. Moreover, the data analyzed is presented in the form of words, and emphasis on description and discovery. All these characteristics introduced above are common to the qualitative method of data analysis. It also gives the author the opportunity to take a holistic view of the phenomenon. (Ikävalko 2019b.)

On the grounds of the analyses of various opinions to hyper-targeted marketing, the conclusions were made from the outsider point of view. It means that the quantitative method has been widely applied in the thesis process as well. (Ikävalko 2019b.)

1.6 Thesis structure

The thesis is built according to the established guidelines of Lab University of Applied Sciences and includes an introduction, literature review, empirical research, and conclusion. The introduction part consists of background information, where the basics of the problem are presented, then the purpose of the work, research questions, and limitations introduced. The first research question is considered to be the key one and two next are formulated for deeper idea presenting. The theoretical framework chapter gives the initial submission of the theories that are going to be used during the research. Methods of research, research strategy, and methods of data analysis are provided at the end of the first chapter.

The theoretical part consists of three parts categorized by subject: digital marketing, ethics, and customer attitude. The first sub-chapter addresses issues related to the view on the topic from the companies' perspective, giving the idea and the history of digital marketing and presents the theoretical background of strategy that companies follow to implement digital marketing. The major advantages of applying a personalized approach are provided.

In the ethics part, two main ethical theories are presented, as well as the perceptions of ethics for modern society. In this part, the conflict, which raises the thesis problem, explained in this chapter.

Customer attitude towards the issue was needed to understand the possible destination of the digital marketing future. There is a clarification of what people may think about data collection, how they feel about privacy violation, and the opposite opinion about customer rejection of a personalized approach is also given in this part.

Empirical research is conducted in the form of an Internet survey with a structured questionnaire in which the same set of questions. There are nine questions in the survey with the help of which six hypotheses were tested.

After the analysis of secondary and primary data, the conclusions were made as well as recommendations for companies. See the thesis structure in Figure 1.

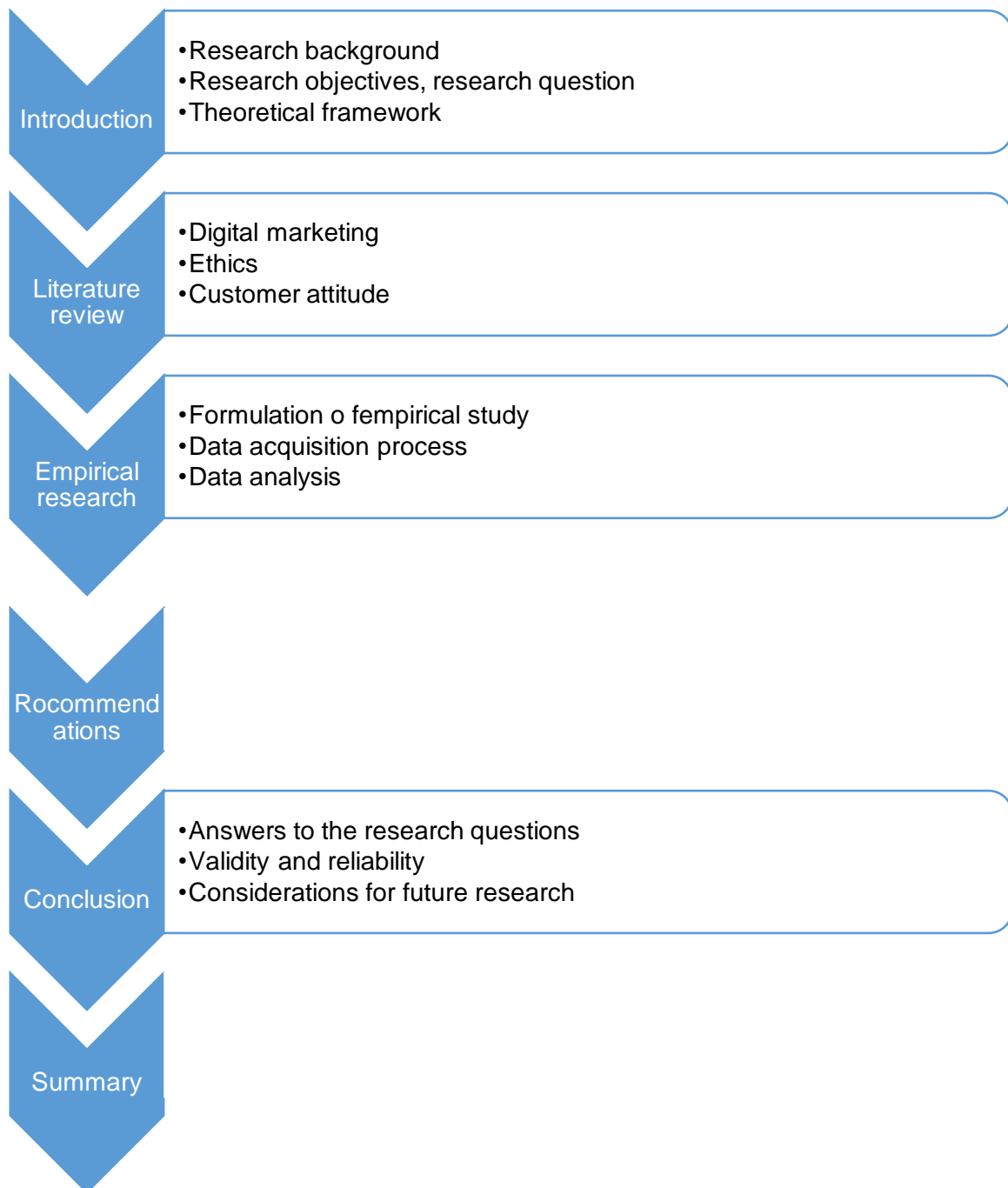


Figure 1 Thesis structure

2 DIGITAL MARKETING

Digital marketing is a method of promoting brands and products through the digital channels such as company's website, pay-per-click method, email, social media, and display ads, when the hyper-targeted marketing is a way to deliver advertising across various ads mediums predicated on very specific criteria via using the algorithms for defining the categories and segments (Mach & Pappas 2015).

The value of digital marketing for companies is undeniably high now. It is unquestionable, that advanced technologies and power equipment such as smartphones, smartwatches, tablets, and laptops are now integrated into almost all people's everyday lives. As a result, many of our day-to-day operations have expanded to the digital form. It is no surprise that the way of buying products and services is increasingly shifting online as well. The comprehensive global statistics tell us that a significant number of the buyer's journey starts and ends online nowadays. For example, worldwide e-retail sales are expected to reach 22% in 2023, three-fold increase from indicator of 2015. (Statista 2019c.) For this reason, in pursuit of profit and in order to surpass competitors in the modern marketplace it is essential for businesses to give particular attention to the adapting of digitalization of all business operations, regardless of industry and the size of a company (Sherman 2019).

Creating a new strategy and modifying all business processes for increasing customer experiences through advanced technology is named digital transformation. Digital transformation is a way of integration of digital technology into all areas of business, indicating how businesses prepared for the changes that the digital revolution brought to society. Today, digital transformation plays a critical role in the ability to evolve with the market and get comfortable with failure. It also enables convenience, develops business operations in line with market changes, meets the requirements of current consumption, and contribute to taking into account modern realities. Core components of the digital transformation comprise the automatization of business processes, big data, reverse marketing, mobile apps, the Internet of things, etc. (The enterprisers project 2019.) As one of the main innovations in doing business in accordance with digital transformation is the transition from traditional marketing to a digital marketing (O'Malley 2019).

The term digital marketing appeared in the early 1990s from the beginning of the widespread use of the Internet and the development of the Web 1.0 platform. However, the marketers of that time were slow to invest in online advertising, as they were not sure of the new little-known platform. Despite this, digital technology has evolved every year and the Internet has become accessible to a wide range of people. Immediately after the emergence of Yahoo in 1994, the American search engine, the era of digital marketing

began. Companies began to optimize their websites in order to attract the interest of customers and to get on the first page of search engines. (Monnappa 2020.)

Today, in times when a large number of people consume the content from the Internet and use social media platforms on a daily basis, professionals are required to have at least basic knowledge of digital marketing. That is the reason why social media, mobile phone applications, display advertising are used as the most popular channel for advertising currently. (Hassan 2020.)

In other words, the main advantage of digital marketing is more efficient resource management, which means, the best result at the least amount of cost. Obviously, online marketing has an important role in doing business. All the benefits of using digital marketing can be divided into three main categories:

1. Cost. It is more affordable than other media ads (Strong 2015,79).
2. Measurability (Strong 2015,79). Various ways of measuring the results: click-through rate, percentage of click-throughs resulting in a sale. Click-through-rate (CTR) is a ratio of a number of clicks on a banner or other ads message to its number of showing in mediums (Google Support 2020).
3. Targeting. Focusing on the target group (Strong 2015,79).

Mindful of the fact that expenditure on marketing constitutes a large part of the overall company's costs, and total spending on digital advertising continues to grow annually, marketers place emphasis on digital marketing strategy development and maintaining (Statista 2019b). These trends may be seen in Figure 2 where digital advertising spending worldwide is presented.

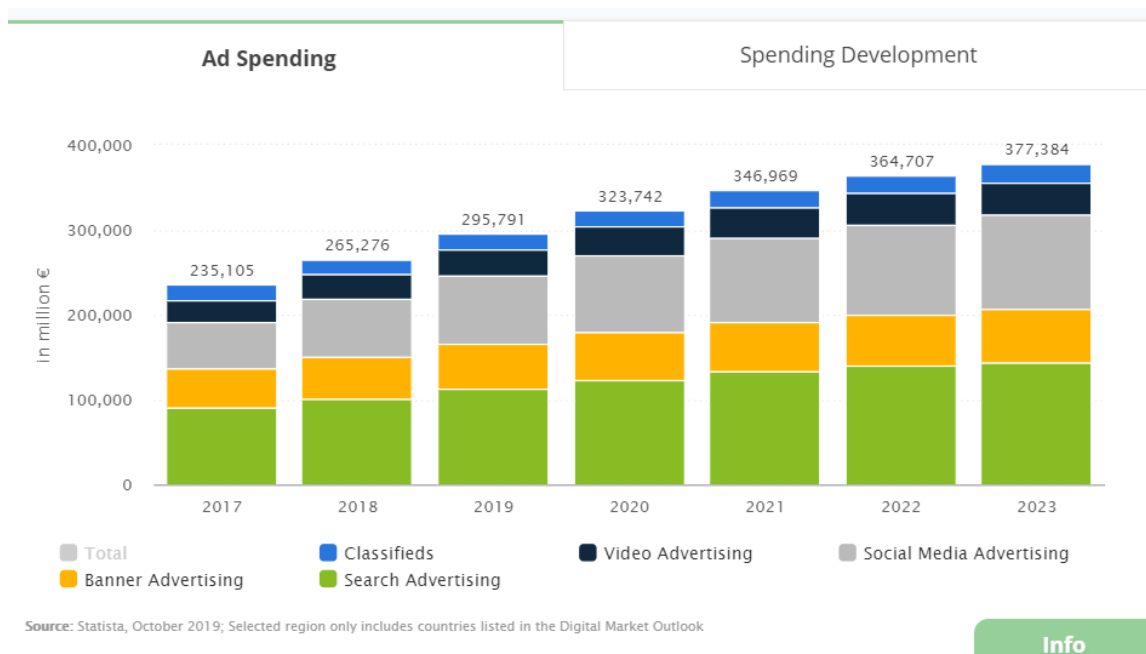


Figure 2 Digital advertising spending worldwide amounts to €323,742m in 2020 (Statista 2019b)

Digital marketing develops rapidly. It is hard to believe, but in less than twenty years it has become equally valuable as traditional marketing. Digital marketing started showing the potential from the outset, resulting in attaching great importance from businesses. In a number of countries such as the UK, China, Norway, Canada spending on digital ads is already dominating the costs of traditional commercials. (Enberg 2019.)

The specificity of digital marketing has changed considerably after twenty years, as well as the customers' views on it. The first model of internet-specific advertising appeared already in 1994 and had significant success with a click-through-rate of 44%, which is hard to imagine now. Moreover, given the current consumer trends, legal conditions, and advanced technologies, to reach and engage targeted customers becomes increasingly difficult. (Statista 2019a.) That is why it is essential for companies to develop a long-term strategy for sustainable development of the brand-customer relationship and allocate resources earmarked for marketing wisely.

2.1 Growth hacking strategy

This chapter provides an example of one of the approaches that companies follow when building a digital marketing strategy. Its basic principles, goals, and guidelines for action are also provided.

Creating of digital marketing strategy means to initiate a series of activities that help to achieve companies' goals. The majority of modern businesses seek to reduce marketing

expenditures, boost productivity and demand. The strategy team supposes to create and maintain the conditions to increase the service quality, overtake the competitors, and exceeds expectations of the clients. (Gartner 2016.)

It would hardly be possible to achieve the desired results without not only presenting products online but also increasing visibility as much as possible. It helps companies to reach the targeted audience more effectively and with lower costs. For this purpose, the growth hacking strategy was developed. The main focuses of the approach are to adapt to the changing circumstances and constantly grow the business. (Jahandarpour 2016.)

Growth hacking was coined in 2010, and many specialists have rethought the approach to marketing since then. This strategy is considered to be one of the most effective methods to get targeted customers. The nature of this strategy lies in the fact that it is oriented only on the focusing group, thus ensure a better outcome bringing more loyal clients, simultaneously reducing the costs. Although this approach has no certain rules and regulations to follow, the primary objectives are always perspective oriented. Every company has to find its way for improvements, constantly interacting with customers during all stages of the process ranging from product development to after-sale services. (Ginn 2019.)

Continual development, creating new more effective solutions, and collecting feedback are the key elements of Growth Hacking. This method suggests persistent data collection and analyzing it. Often developers, engineers, data analytics, and product managers are part of the Growth-team along with marketing specialists. (Ginn 2019.) After determining the most appropriate solution, the transition to a new more effective way of doing business is made relatively rapidly in comparison with traditional marketing. Since one of the main goals is to spend less money, often social media is used as an advertising channel. (O'Kelley 2019.)

2.2 Permission marketing

Digital transformation to a lesser extent is about technology, it begins and ends with the strategy of using technology. It is about putting the customer at the heart of the business, and continually increase value to them by enhancing customer experience. (Salesforce 2020.) It is logical that the most reliable information required to determine a future strategy can be obtained only by interacting with customers. Direct contact with potential buyers is the only right way to be able to provide the best product in time at the best price and with the best quality. To get closer to the targeted customers, to better understand their behavior and desires, marketers seek to engage them in the process. It is believed that

permission marketing is the most appropriate method to realize these objectives. (Spencer 2013.)

Seth Godin (1999), the marketing expert, presented two forms of marketing: interrupted and permission marketing. In his book "Permission Marketing: Turning Strangers into Friends and Friends into Customers" which was published in 1999, he counters that to achieve a breakthrough, companies have to eliminate all makings of interrupted marketing and implement more productive permission marketing strategy. The basic difference between the two strategies is that interruption-based marketing is built on promoting a product through forced advertising content disrupting the natural flow of television and radio programs. It is considered as a traditional advertising method that had been used for most of the history of modern marketing.

Permission-based marketing, for its part, is a consumer's opt-in advertising. Consumer's opt-in advertising- is a method of direct marketing, when a customer expresses permission to receive mails, email, or other direct messages that contain an advertisement (Business Dictionary 2020). Furthermore, on the assumption of a consumer is interesting in a product and willing to get more knowledge and information about it, he/she provides access to contact information. This, in turn, creates the possibility for further communication between company and client, establishing a strong connection and increasing customers' loyalty. Thereby these companies develop the products in the right direction. (Godin 1999.)

In Godin's opinion, thanks to these advantages, permission marketing constitutes the marketing of the future. He cited the example of sufficient funds' differences in advertising campaigns as one of the powerful arguments in favor of his idea. In addition to this features the permission-based marketing is relevant and anticipate. Each company has to seek frequent and continued communication with customers, encouraging them to achieve the next stage of their relationship (there are four stages of a relationship between company and client: stranger, friend, customer, repeat customer). The biggest weakness in the interrupted based marketing Godin sees its lack of personalization. (Godin 1999.)

2.3 Types of data and methods of its collection

This section provides information on modern methods that companies resort to collect customer information. The main categories of personal data that are valuable to the company are considered.

The arguments given above prove that personalized marketing is the right approach for brands and cannot be overlooked. To identify and target relevant advertising powerful tools are required as well as a large amount of data for analyzing (NG Data 2020).

Not long ago, to collect information about the needs of the target audience, companies had to conduct questionnaires, interviews, and surveys. However, these methods did not bring the expected results due to the following reasons. First, it was resource-intensive tasks, the process consumes long time and money. Second, during the interviews, the consumers often were not able to remember the detail of purchases they made, especially when it came to low-cost products. Therefore, the results were not accurate, and most were based more on attitudinal data, that is, on what people said, but did not actually do. (Strong 2015, 94.)

Nowadays, with the development of high technologies and the introduction of AI at everyday business operations, companies have access to faster and more accurate results of user data analysis. Each year, these technologies are becoming more developed and accessible and, most importantly, meet the requirements of modern customers who expect to receive all the product information they need immediately and in a personalized format. There is no need anymore to process the data from the words of customers because each action and operation performed online is recorded and evaluated using cookies. (Strong 2015, 2.)

Big data has been developed in large measures due to significant breakthroughs in technological development and, as a consequence, creating new sources of data, such as the Internet of Things, social media platforms (Facebook, Instagram, Twitter). Data mining becomes to play a central role in the creation of an optimal audience and building a strong brand-customer relationship. Several examples of the methods companies use for data collection are provided below for a better understanding of these processes. (Twin 2019.)

One of the methods to manage big data is The Big Data Lake. It is the databases that constitute the storage of the company's data in the original format. It is used for analyzing and generating new knowledge by finding uncharted relationships between data from different databases. It allows finding unique collocations that had not been explored before. Since the records are stored in its original format the data is always updated. Due to these functions, Big Data Lake can provide great value to the organization, giving the possibility to discover new findings based on already available data. (Aws 2020.)

A large number of home appliances surrounding us today are connected to the Internet. Mobile phones, refrigerators, multicookers, vacuum cleaner, and dishwashers are part of a huge system called the Internet of Things. User-friendly devices are constantly traced by

manufacturers to be able to ensure continuous operations and automatic updating. But, beyond that, due to the advanced functions of these devices, manufacturers get enhanced access to information about their customers, for example, the temperature in the apartment and the amount of energy consumed. Based on these data, it is possible to determine the time when the user is at home and even the exact location of the apartment and the surrounding environment. (McFadin and Apache 2020.)

Residents of many cities have already appreciated the mobile applications that allow them to pay for parking spaces using a mobile phone, it is especially convenient when the driver needs to validate the parking, but it is too far to get back quickly. During registration, users provide detailed information about the vehicle, open access to a credit card, and location. Based on this data, the service owners can analyze user habits and their behavior, determine where they often are, and predict what exactly they are doing there. (Cleary 2018.)

Manufacturers of apps and gadgets that track our health have access to even more personal information. Phones and watches can track a person's heart rate, measure sleep quality, activity level, stress level, oxygen in the blood, the amount of water drunk per day, and record dishes indicating the number of calories. Such information is called "quantified self" data. (Technori 2018.)

Data collection consumes time and labor resources. To get a higher return of investment marketers often repurpose or in other words reuse the data that they already possess. This method is recognized as productive for generating unique data and answer new questions. Analysts seek to ensure that data constantly delivers ongoing value. For example, the data receiving form system Internet of things were originally intended to monitor devices' behavior. In addition to that, the same data can be used for the identification of changes in the data stream. (Hu 295-299).

When the person knows that the information, he/she provides is being used to answer a specific question it is called "direct" data inferences. For example, when an expert in a certain field gives his assessment on some issue. "Indirect" approach is used when it is required to gather different opinions and information from different sources. This method can be found in social media, where people have the opportunity to exchange their opinions. Difficulties arise when organizations use the information provided by users for other purposes. It often turns out that service customers do not know that their messages and posts are analyzed for other knowledge discovery. It should be noted that if the data is not used in its intended purpose, this raises many potential privacy issues. (Hu 295-299.)

3 ETHICS

The moral is the normative prescriptions, that occurred naturally, and providing an answer to the question of how to behave with regard to society. While the ethics for its part is the logically determine set of rules, derived from various moral truths with the purpose to eliminate their controversies. (Diffen 2020.)

Technology is constantly changing our perception of the concept of ethics. Before IT penetrated every house, the concept of ethics was sufficiently clear to everyone. But today, the boundaries of the concept seem to have disappeared. On the one hand, due to advanced equipment we get better than ever healthcare, and high-speed methods of implementation of everyday operations, such as paying for purchases by mobile phones and watches, using GPS systems to get to places as fast as possible avoiding the traffic. We are under constant control and monitoring. On the other hand, data of our locations, habits, preferences, and even health conditions are becoming heritage of the organizations that services we enjoy, which is hardly an ethical behavior. (Harari 2018, 245-250.)

As has been found in the previous chapters, privacy holds a key to the discussion of ethical issues in the area of digital marketing. Most often, we contrast concepts such as privacy and convenience or privacy and security. In the age of hyper dependency on technology, many people believe that the absolute right for privacy has never existed. Moreover, as Barack Obama (2013) claims in his speech regarding gathering personal data on telephone and internet communications: *"You cannot have 100% security and also then have 100% privacy and zero inconveniences."*

Gerd Leonhard (2014), futurist, humanist, and the author of 'Technology vs Humanity' debates about the ethics and the future of humans in a connected world. In his TED speech, he said that the ethical issues in the digital transformation era raise more questions than give answers. Gerd supposes that there is no single answer to the question if corporates use our data correctly, and the answer often depends on the individual opinion.

It is obvious that technology itself is not able to conduct ethical assess of its behavior, but only maintains operations according to the algorithms programmed in it. Apparently, in order to ensure the morally right performance of business operation corporates have to translate their existing code of conduct to a programming language. Therefore, the theoretical ethical issues turn to practical engineering task. Another matter: what model of behavior can be considered as morally right. Two main ethical theories may be governed by modern companies whenever there is a need to resolve the contentious ethical issues. (Harari 2018, 245-250.)

3.1 Utilitarianism

Utilitarianism is the most widely used theory applied to market ethics. In this context, utilitarianism alleges that a decision regarding marketing can be considered as ethical only if it brings the greatest good for the greatest number of individuals. The decision must be made by evaluating each the most beneficial alternative for all involved parties (including stakeholders, employees, customers, etc.). The statement “the end justifies the means” gives the stage for utilitarian thinking. There are two key schools of thought: act utilitarianism and rule utilitarianism. The first was created by Jeremy Bentham. It focuses on the process of making a decision by assessing all good and bad consequences of this action. Facebook management’s decision to change the privacy policy in order to avoid a negative attitude from the company’s customers is an example of act utilitarianism. (Myrphy, Laczniak, Prothero 2012, 23-27.)

Rule utilitarianism is developed by John Stuart Mill. It concentrates on the overall value from a decision that is brought to the society, trying to maximize utility. It will be ethically correct to give preferences to action that yield benefits to a wider range of stakeholders, notwithstanding that some of them may suffer from decision. Due to the strong compatibility of these theories with business thinking, they are widely used in the process of decision-making. Both are aimed at maximization of benefits: utilitarianism- happiness and businesses – profit, the return of investment. The goal of marketing utilitarianism is to increase managers’ understanding that benefits for society are equivalent to the company’s profitability. (Myrphy, Laczniak, Prothero 2012, 23-27.)

Many people, that may have different desires, are involved in business processes. What is considered as “good” for one may be absolutely inappropriate for another. It is obvious that consequentialist approaches have a number of limitations. According to the theory, everybody beginning from CEO to clients have to collect the benefits from a particular action. (Myrphy, Laczniak, Prothero 2012, 23-27.)

When one considers the example of Internet pornographic material, it seems economically beneficial, and everybody involved in the process of production and consumption is satisfied. However, it is not ethical for the whole society. The same contradiction occurs in the process of testing cosmetics on animals. Moreover, sometimes a product that is useful for the majority of clients may cause serious problems for a small group of people (some medications). (Myrphy, Laczniak, Prothero 2012, 23-27.)

3.2 Duty-based ethical theories

A contrary view was expressed by deontological ethics philosophers, where the analyses of consequences are not needed to identify if an action is morally correct. Instead, attention is centered on motivation, where the action itself is considered a “good”. Immanuel Kant is one of the most famous developers of this approach. He introduced the concept of the categorical imperative, which means that moral laws are principles that must be followed by all persons regardless of religion and other circumstances. The ethical behavior has to be defined by human intelligence and must be the moral obligation, no matter of our willingness. (Myrphy, Laczniak, Prothero 2012, 27,28.)

There are several formulations of the categorical imperative. Below are two examples:

1. Universality formulation states that each person has to act in a way that it will be a rule for everybody. All people must behave equally according to universal moral standards, without making an exception for themselves. If you are allowed to do so, then all others also can behave in the same manner.
2. Human dignity formulation encourages us to treat human beings as an end, and not as a means. Do not use people for the attainment of our objectives and benefits. A human cannot be subject to manipulation or be deceived by others. Each person must have the autonomy to make decisions independently and set targets. (Myrphy, Laczniak, Prothero 2012, 27,28.)

3.3 Ethics and machine thinking

There is evidence that machines are already able to think more ethically than people do. Projecting these models on artificial intelligence, it may seem that machines unconditionally implemented the requested tasks following guidelines. Using the correct programming code, we can eliminate mistakes in ethical practices. A human being is not always able for rational thought since each person has a subconscious that often affects the decision. For example, prejudice can prevail over the rational mind during the job interview, when the candidate has a different color of the skin. Created code that will make an ethical decision will follow the standards and norms better than people, avoiding discrimination and intolerance. It is much easier to correct errors in code than rid people of social prejudice. (Harari 2018, 245-250.)

Another example when artificial intelligence has a necessary edge over people is an emergency situation during driving vehicles. Individuals are affected by emotions and stimuli, which constitutes a risk in a dangerous situation, especially when a decision must

be made quickly. Under hazardous conditions, we often forgot our moral beliefs and only intuition guided us. Obviously, mistakes are inevitable, but it is not required. However, the case will be considered successful even if the machines make fewer errors than people do. (Harari 2018, 245-250.)

There is no doubt that this process of transformation to machine thinking causes fear among the population. Already, algorithms make everyday decisions: what book to read, and film to watch. We also approaching a time when AI tells us what our future profession and even life partner will be. That is why there is no reason to believe that algorithms will not be able to upstage us even in ethical issues. (Harari 2018, 245-250.)

3.4 Violation of the rules of ethics during data collection

Unfortunately, valuable for some companies the information flow and collection of various types of data can lead to many negative consequences, for example, such as stealing data or privacy violation. These potential errors that may result in data collection are discussed in this chapter.

Nowadays, there is a huge risk that some of the websites, social media platforms, various services we use are no longer able to protect the data we provide them. Sometimes companies unknowingly endanger the data of their users. Organizations are increasingly using the massive amount of data daily, but at the same time, in many cases, they are not able to provide safe and secure service due to which cases of cyber-attacks, hacking systems, and theft of user personal data became more frequent. The reasons may be, for example, loss of control over data, as a result of which it will become public or accessible for general use. Thus, having personal information about the health of a user, attackers can use it for their purposes, such as threats and extortion. Since incidents where companies lose the management of clients' information increase significantly, users avoid data sharing trying to keep some degree of control of our personal life. (Piesse 2017.)

The same goes for the Internet of things system, which provides data on our whereabouts and other sensitive information, which in turn can also lead to a violation of privacy. Especially with a significant increase in the number of social media users' companies have gained access to very intimate details of customers' lives, their feeling, and relationships. Analytics are thus already able to clearly define what people are doing and what are they thinking. In those cases, companies act consciously, guided by their desire to maximize profit. Such actions raise a lot of questions and there is a risk of losing customers due to a surge of frustration caused by these violations. (Smith 2015 ,136-139.)

First of all, the ethical issues arise from the fact that the collection of personal information often occurs in the conditions of unfamiliarity or unawareness about the situation on the part of users. Many clients of Facebook, Instagram, VK do not even think about how much personal information they give away in exchange for initially seemingly free services. Personal data, the circle of friends, geolocation, social status, preferences, as well as all conclusions arising from this information, that are not so obvious such as religious and political beliefs, sexual orientation, racist views, are already in the hands of companies. (Smith 2015 ,136-139.)

If we take into account the allowed age of users when registering on servers (13 years) (Facebook 2020a), we can conclude that many users, because of their inexperience, do not even realize the significance of this information, and in exchange for the opportunity to share photos and messages with their peers, provide any personal data without hesitation.

Thirdly, a large number of people even at a more conscious age actively share their comments, likes, and dislikes without thinking that the algorithm remembers each of their actions without the right to correction. And if your opinion or view on a specific issue may change in the future, then links to past decisions will remain in the system forever.

3.5 Conversational data

This section describes a method of collecting information that causes the most disagreement from an ethical point of view.

There are many ways to gather information that are not obvious for regular users. Such are, for example, Google voice assistant and Internet browser Chrome advertising system. Many users are unaware that these systems are also used to collect personal information. The voice recognition system allows determining what exactly the client is interested in at the moment and starts showing the ads of this particular product. (Petteijohn 2019.)

Marketers assumed that such an approach will cause a positive attitude from customers, as it saves time and effort in finding products, and associated with better services. However, as it turned out, this counter-intuitive way of collecting information caused a mixed reaction and contradictory feelings from customers. (Redman 2020.)

Many discussions are taking place nowadays on the issue of the mobile phone listening to serve clients advertisements based on the information that is secretly heard. Both, mobile devices' and desktop computers' users, have been noticing that contextual advertising

has occurred right after the mundane face-to-face conversation. Most importantly, that, in so doing, the microphone is not used, and the mobile phone is locked. (Moore 2020.)

Australian experts on cybersecurity as well as university lecturer Edith Cowan, and Dr. Peter Hannay together with other security researchers believe that there is nothing unusual that mobile devices are always listening. Dr. Hannay conducted a study that concluded that smartphones could listen to their users by responding to certain trigger words that can “wake up” the phone in the same way as the phrases “ok Google” or “hello Siri”. As soon as the devices equipped with microphone captures such an audio trigger, it records a fragment of the conversation, and then sends it to those applications that are installed on the smartphone, for example, Facebook or Instagram.

“Whether it’s timing or location-based or usage of certain functions, [apps] are certainly pulling those microphone permissions and using those periodically. All the internals of the applications send this data in encrypted form, so it’s very difficult to define the exact trigger,” said Hannay. (Nichols S. 2018.)

At the same time, Google has already admitted that moderators listen to voice commands that users give to Google Assistant. Google had to admit that the company does record and listen to users, however, they do so solely for customers’ benefit. The data collected should help the voice assistant better understand people who speak different languages and with different accents, the company said. (Cuthbertson 2019.)

However, most of the experts consider that the individual targeting through microphone listening is not cost-efficient because of the large amount of data company has to be handled. It is more reasonable to identify users by categorizing us as a group, not as individuals. (Nichols 2018.)

Even though some companies strongly deny using of phone’s microphone inform advertising (Facebook 2016b) it is perfectly reasonable and obvious from a marketing point of view. Moreover, it is not contrary to the users’ agreement or the law.

It is assumed that companies may transfer the data to third parties to obtain financial benefits. But Dr. Peter Hannay added that these companies who get customers’ private information are highly unlikely to sell this data, for the reason that possessing this data they have the obvious advantage over other companies. That is why they will try to keep access to the data as secret as possible. (Nichols 2018.)

4 CUSTOMER ATTITUDE AND PRIVACY ISSUES

It had been implied that a huge amount of data is required to achieve accurate personalization, and we provide it, of our own accord. As a result, it opens all kinds of ethical concerns. In this chapter, the author tries to understand how justified the worries and claims of consumers regarding the security of their personal data.

Indeed, the actions of companies in cyberspace are regulated by law. For example, starting in 2018, the law General Data Protection Regulation came into force, which is valid in the European Union (EU) and the European Economic Area (EEA). The main changes are aimed at providing citizens with control over their data and increase their awareness. (Burgess 2020.) However, the question is increasingly being raised: is it enough for companies to act within the law to maintain their moral character? Guided only the law and neglecting ethical standards, some actions of the company can be considered at least not humane. (Myrphy, Laczniak, Prothero 2012, 14-15.)

As was mentioned before, in pursuit of more accurate and comprehensive data, companies resort to using methods that examine non-digital parts of people's lives as well or explore aspects of people's lives that customers do not expect and do not want to cover, which causes concern and anxiety on the part of many customers. This negative reaction from users is caused by the violation of their personal space, the invasion of online privacy, and the disclosure of those details of people's lives that are too intimate and sensitive for them. (Smith 2015, 134-135.)

The topic of online privacy is discussed in detail in the media and among internet users. However, until recently people did not give many thoughts about privacy since it was considered as something abstract and invisible. Why this change happens and at what point did people start to worry about their privacy online? A possible reason is a contradiction in people's expectations. Behavioral economics or the psychology of customers' decision-making can be used to explain the reasons for that. There is an essential difference in social and marketing relationships. Social relationships imply mutual trust, where immediate reciprocity is not implemented. An example of such relationships is when your friend hosts a dinner party, and no one expects you to pay, as opposed to your dinner at a restaurant where the waiter waits for you to pay when a marketing relationship is applied. (Strong 2015, 149-152.)

The same distinction can be felt when a customer shares the personal data with a doctor and expect that he/she will use the information for the good of others. It is hardly surprising that the patient does not expect a doctor to share the information with insurance

companies. Providing personal data to the company customer has a deal with is suitable and comfortable for him, but when the company uses the data for targeted marketing it can cause resentment and become inappropriate. To prevent such an occurrence from receiving personal information businesses have to pay attention to the conditions in which customers provided it. Otherwise, there is a possibility to get to “uncanny valley”, where consumers begin to feel uncomfortable and betrayed and start to reject the brand,. (Strong 2015, 149-152.)

There is no doubt that there are differences in how easily people share information about themselves. We tend to believe, that the younger people are, the more open they are regarding personal information. They cover any details of their personal life in social media, while people from Generation X are more closed and often even are reluctant to fill in a form where we have to put personal information like name, address, etc. to get a loyalty card in a grocery store. (Keenan 2020.)

Cultural differences are another aspect effected by a willingness to supply personal information. For example, most people from so-called multi-active countries, such as Italy, Spain, Mexico, Brazil, are more inclined to share information about themselves than line-active Sweden, Finland, Germany (Cuco_admin 2015), where any attempts to obtain personal information causes discomfort and even aggression.

As we see, people have different perceptions of the concept of privacy. Different factors cause people to be concerned about the defense of personal information and try to protect personal data. We understand, that by providing our data, we put ourselves in danger of being betrayed or harmed. The value of the data was widely recognized not just by companies, but also by cybercriminals. It can be cyber attacking of intruders who try to change or destroy your data, extortion of money, theft and even cyberbullies, and other forms of violence. Moreover, people put our close circle of friends and family in danger with whom they communicate in social media. (Ess 2014, 40.)

4.1 Endowment effect

All the reasons described in the previous section seem quite logical, we are trying to protect ourselves and the people that we care from cyber-attacks and persistent marketers, to maintain privacy and to avoid constant tracking. However, there are reasons that people are guided avoiding data collection that is difficult to explain and understand.

Experts suggest that concerns about privacy that have arisen relatively recent occurred often without any apparent causes. This phenomenon may be attributed to the so-called Endowment Effect.

Daniel Kahneman in his book "Thinking Fast and Slow" (2015, 284-288) described the phenomena "The Endowment Effect". Richard Thaler, who was a student of the Faculty of Economic Sciences, was curious about human behavior that could not be explained with the model of rational economic behavior. He started to notice that one of his professors, who was a wine collector, did not pay for a bottle that was more than 35 dollars, but he sold the same bottle for no less than 100 dollars. That was not consistent with economic theory, in which a certain value must be identified. For that reason, setting the prices for a bottle 50 dollars, the professor has to be happy to sell it for any price more than 50 dollars and to buy it for any price less than 50 dollars.

Other similar experiments also indicated the same results. Therefore, Thaler found that only an owning of something increase the value of it. It means that people tend to raise importance on what they own. Nevertheless, there are significant differences in the attitude to the goods that were originally intended to sell. So, in the case of routine trading, the prices for buy and sell do not differ significantly. It means that the endowment effect does not amount to everyday items, such as groceries, etc. (Kahneman 2015, 284-288.)

The group of experimenters, Knetsch, Thaler, and Kahneman, have even been able to establish the ratio between selling and buying prices:

- Seller 7.12 dollars
- Choosers (person who has both possibilities to save an item and a sum of money) 3.12 dollars
- Buyers 2.87 dollars

The phenomena can be explained by the owner's strong desire to keep an item and his unwillingness to sell it despite the reasonable price that is offered for it. Brain scans indicate that selling the item that the owner can use by himself, activates the area of the brain that control pain receptors and disgust. (Kahneman 2015, 284-288.)

Alessandro Acquisti revealed this effect about privacy. He conducted the experiment, in which 349 females participate, the average age was 35 years. Every female received the gift certificate for 10 and 12 dollars at the entrance to the shopping center. Receiving the certificate for 12 dollars participants agreed to provide their personal information. The certificates have to be exchanged for plastic cards on the way out in the shopping center. According to the terms of the experiment, participants were invited to exchange 10 dollars certificate to 12 dollars cards on condition that they give confidential information; and the 12 dollars certificate to 10 dollars card with a promise to delete all personal information that was received at the beginning.

- Keep the anonymous \$10 card or exchange for an identified \$12 card
- Keep the identified \$12 card or exchange for an anonymous \$10 card
- Choose between an anonymous \$10 card (appearing first) and an identified \$12 card
- Choose between an identified \$12 card (appearing first) and an anonymous \$10 card. (Kahneman 2015, 284-288.)

At the end of the experiment, it has been found that receiving the certificate for 12 dollars participants did not want to exchange them for the less valuable card even with the condition to delete their personal information. But at the same time, participants who get less valuable gifts were not willing to give up their privacy in exchange for card with bigger equivalent. (Kahneman 2015, 284-288.)

Based on this experiment Acquisti had concluded that the choice depends mostly on the option that is presented first. Only 9.7% were ready to pay 2 dollars for confidentiality. This means that people tend to reject a guaranty of privacy in exchange for financial benefits and are not willing to spend additional money on saving their personal information. The main conclusion of the work is that customers value when their confidentiality is protected more than when they feel that it can be disclosed. (Acquisti, John & Loewenstein 2019).

4.2 Uncanny valley

Regardless of whether the reasons for concern on the part of customers are justified or if it is simply an overstatement of the price of privacy, in any case, this can lead to catastrophic financial losses. This section presents the possible causes of these grievances caused by the personalized approach.

It would seem that with the development of artificial intelligence and the ever-growing bases of user data, it becomes possible to satisfy even the most demanding clients and provide the right product at the right time at an attractive price. Marketers believe that now they are already able to predict the wishes of customers and even offer them something that they have not had time to think about. However, in practice, one can notice constantly growing discontent and claims from clients made on the basis of violation of personal boundaries and invasion of privacy. (Redman 2020.)

The author of the book *Humanizing Big Data*, Colin Strong (Strong 2015, 152) compares the negative emotions evoked by hyper-personalized marketing with discomfort caused by

the “uncanny valley” effect. The concept of the “uncanny valley” was created by the robotics professor Masahiro Mori in 1970. This hypothesis implies that there is a correlation between the degree of similarity of humanoid robots and human beings and the attitude to those robots. Mori noticed that people feel positively toward the object that has some likeness of a human, but reaching a certain level, when robots have a significant amount of human-like features, our mindsets regarding them became exact opposite: we feel fear and anxiety.

There are a number of theories that were developed to explain the phenomenon of “uncanny valley”:

1. Human experiences the cognitive representation conflict when a human-like being has some characteristics that are not prevalent among human-likeness, thereby causing a lack of predictability and control of the situation (Kang 2009).
2. MacDorman and Entezari claimed that then more a robot looks like a real person, the more it is a threat to humans’ distinctiveness and social identity (MacDorman & Entezari 2015).
3. Catrin Misselhorn thinks that the phenomenon of the uncanny valley can be explained by a human’s inability to understand this object’s feelings and intentions, which in turn encourages unpredictability as well (Strong 2015, 152-153).

Colin Strong, Dr. Guy Champiss, and Dr. Kiki Koutmeridou attempted to draw a parallel between “uncanny valley” phenomena and the process of personalization of marketing communication. They noticed that in some instances it is indeed possible to see the same results. It is estimated that during the attempted other advertising campaign brands experience a risk of falling in “canny valley”. Trying to increase brand attachment companies boost personalized marketing strategy, thus causing negative attitudes by their clients and even brand rejections. In some cases, such a penetration into the people’s life causes even fear and animosity. The results of this study are visually presented in Figure 2. Nevertheless, the study found that the results vary significantly in terms of sphere and population segments, partly based on demographics (age, gender, lifestyle). The authors consider that each company must find its optimal approach. *“What is considered appropriate for Google may not be right for a consumer goods brand.”* The worst scenario will be to totally opposite results of what brands were expected to get. (Strong 2015, 152-153.)

The question arises as to why marketers strive to implement a hyper-targeted marketing strategy into the business processes as deep as possible if it can attract a negative attitude on the part of customers. It is believed that the reason for this may be a lack of

alternative ways to provide relevant advertising. Paul Roetzer (2019) a founder and CEO of PR 20/20 and Marketing Artificial Intelligence Institute explained this kind of behavior. He believes that under the conditions of increasingly close and tough competition, that is happening right now on the market, many brands are ready to move forward no matter the obstacles. Companies believe that other companies will if they do not.

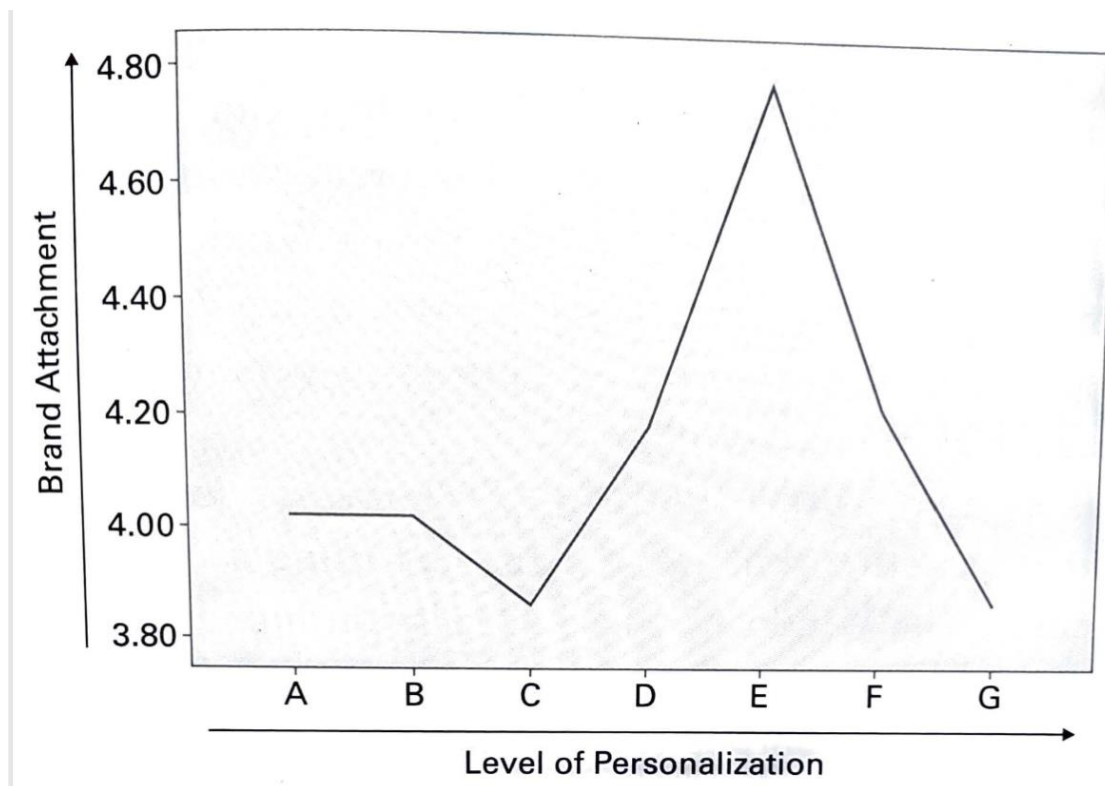


Image 1 Impact of increased personalization on brand attachment (Stang 2015)

4.3 Desensitized society

There is a fundamentally opposite opinion about how people feel about privacy and security online. There is reason to believe that all discussions and discontent on the part of users about the violation of their privacy in practice will not lead to any negative consequences that may affect the financial position of the company.

Thinking logically, the negative attitude caused by users can lead to a loss of reputation and a decrease in income. Despite this, in practice, we are more and more confronted with evidence to the contrary. Even such well-known scandals related to the personal data as Cambridge Analytica did not lead to the collapse of Facebook, but we can see the constant, stable growth of the company. (Statista 2020).

It was observed that despite several privacy violations by various companies, there was no decline in demand for their services, instead, some of them were able to achieve

significant success and continue to double their income every year. The reason for this trend is the unwillingness of users to refuse to use the services of companies in exchange for privacy on the Internet. The term “desensitized society”, according to Pual Roetzer (2019), an expert in digital marketing, describes the essence of modern society on privacy issues in the best possible way. Several examples that support his theory are provided below.

It is believed that the starting point for public concern about collecting and using personal data was the Facebook-Cambridge Analytica data scandal. Near as we can tell, through the application called "This Is Your Digital Life" the company Cambridge Analytics had harvested 87 million people's data. It is intended that Facebook provided access to the data. They were able to analyze Facebook users' messages, posts, birthday, and location. The data were used to create psychographic profiles according to which internet users received political advertising that would be the most effective in elections for them in line with their interests and views. (Lapowsky 2018.)

It would appear that after the Cambridge Analytica data scandal, the largest social networking service Facebook will lose the confidence of the users because people will start to delete their Facebook accounts. In practice, however, even after such a significant incident the Facebook annually increases its revenue (Statista 2020).

One more example when the company was not able to provide safe use of its services, however, it does not affect its reputation is the incident occurred in 2018. Zoom is a widely held company providing the service in the sphere of video communication, received an email where young engineer Jonathan Leitschuh informed them of a shortage, he had found in its software. He detected that intruders have access to each user of the Zoom video services through their cameras. Zoom management has promised to fix the error in the program, however, the incident has already become public. Paradoxically, but shortly thereafter, the company conducted very successful IPOs. As we can see, the vulnerability and negligent attitude toward customers' data does not interfere with the raising in the capital. (Burt 2019.)

Amazon's Alexa, commonly used voice assistants worldwide, that among other similar smart home equipment uses the technology of voice recording for improving the quality of the work and for better personalization. As it turns out, there is also an error in its code. There have been incidents when the voice assistant sent all the data that the device collected from one of the owners to another user. Through these messages, it was possible to identify that person's name and surname as well as his spouse. (Statt 2018.) However, according to a report from RBC Capital Markets analyst Mark Mahaney company's profit

from the service is constantly growing and could make 5% of the Amazon total revenue by 2021. (Ungarino 2018.)

As can be seen, for the convenience of high-powered solutions or other practical advantages internet users are ready to sacrifice their privacy. The primary cause is that at some moment the desire of personalization and usability is becoming a higher priority than the protection of personal data. Kevin O'Connor, the CEO of Double-Click mentioned a study according to which people were ready to provide their security number in return for free delivery which amounts only to six dollars. Nevertheless, often the reason why people put aside privacy is the lack of awareness of the gravity of the situation. For example, most of the people do not realize how much information they give almost without noticing it and start to regret only later when something bad happened. (Smith 2015, 144.)

Unfortunately, it can be said that there is no turning back because even with a great desire to deleting cookies used by publishing companies and advertisers, it is impossible to remove all information gathered. Moreover, these tracking cookies will occur on users' computers as soon as the previous would be deleted. This technology allows connecting user personal information and devices that are used with other profiles the user-created constantly updating the data. Some of the advanced programs can remove browser cookies from a computer, but such as flash cookies or super cookies are virtually inerasable. (Smith 2015, 136-139.)

Most of the people understand that the Internet is supported with advertising. All content we get from the Internet for free is sponsored by advertisers. (Smith 2015, 3.) There is a popular quote about the topic belong to Andrew Lewis (2010): *"If you are not paying for it, you're not the customer; you're the product being sold."*

Since in exchange for Internet usage people provide such amount of personal data that the marketers are able to say who they are and what are they doing, using, for example, facial recognition technology. It is doubtful that privacy is the fair trade in favor of internet use. Gary Kovacs (2012), the technologist, who has worked for Mozilla Corporation, Adobe, SAP, and IBM that *"privacy is not an option, and it shouldn't be the price we expect for just getting on the Internet"*.

Due to such a mixed opinion, it becomes difficult to determine the further direction of company strategies. Digital marketing requires significant costs and the budget for it should be planned in detail. Certainly, the information now is the most valuable resource, but how far a company can go in order to increase earnings is a matter that raises many ethical issues.

5 EMPIRICAL RESEARCH

5.1 Design and formulation of empirical study

Analysis of previous studies provided the answers to some of the research questions and helped the reader to understand the topic from the companies' perspective. However, the view from the customer perspective is needed as well to solve the other questions and check the assumptions that were gathered from the literature review.

Indeed, despite certain advantages from digital marketing, it causes a lot of disagreements and there is a chance of a backlash against personalized advertising from customers. That is why it is necessary to find out the attitude of customers to the problem. It can be handled using empirical research.

Using empirical research, the author will try to find out the following questions.

1. How likely is it that widespread customers' data mining will lead to a "canny valley" effect and harm the customer-brand relationship?
2. Do people consider the collection of their personal information as a violation of privacy?
3. What is a breaking point when customers start to reject a brand?
4. What exactly causes negative emotions regarding the hyper-personalized approach?
5. Are people aware that several platforms listen to everyday conversations and how they feel about it?

Since the research was conducted with the purpose to quantify opinions, the quantitative research method was applied. It seemed logical to use a large size of the sample that can be achieved through the research in the form of the internet survey with a structured format. (Bhat 2020.)

There were 84 responses in total, there was no reason to exclude any of them. All respondents were divided into five groups depending on age. There were several motives for this. Firstly, each generation has its characteristics of online behavior and attitude toward privacy. And since age targeting still plays a big role, such a distribution of respondents is simply necessary. Secondly, the author wanted to test the hypothesis - different generations have different attitudes to collecting information about themselves. Are younger people more calmly about data collecting?

Five categories of participants according to the age group:

- Generation Z (iGen) - 1995-2015 (already born in the internet era) (22 respondents)
- Generation Y (millennials) - 1980-1994 (45 respondents)
- Generation X - 1975-1985 and 1965-1979 (childhood and adolescence passed without the Internet) (12 respondents)
- Baby Booker - 1946-1964 (1 respondent)

(the time frames of generations are rather arbitrary, according to the literature, the boundaries of age ranges can vary within 3–4 years).

5.2 Data acquisition process

For empirical research, an internet survey with the structured self-administered questionnaire is used in which the same set of questions was presented to all respondents. The online questionnaire was used to be able to get as many answers as possible in a short period of time. (Mirola 2019.) In order to measure the opinions on the hyper-personalized marketing approach, a Likert scale with the five options was applied. It is considered to be one of the useful methods because it helps to further explore respondents' attitudes based on their perceptions and experiences. (Wuensch 2005.) However, in one question the option of the open-ended answer was provided. The last question gave the possibility to select several options simultaneously. The responses were gathered anonymously and confidentially. The author did not know who gave the answers since the name and surname did not need to be provided.

The survey was created with the use of Google forms and analysis of data received was conducted with the help of Microsoft Excel, because these tools are free and user-friendly. The form was sent to the author's surroundings, close circle, family members, school-mates, and classmates from university, and work colleague through WhatsApp, VK, and Messenger applications. The responders' various geographical location and age group also bring additional value to the analysis of the results. The survey took over three days after that it was closed to be able to begin the data analysis held with the help of Excel formulas and graphs.

5.3 Data analysis

Below are the questions that were presented in the online survey, the answers of the participants are presented in percent and shown in the form of graphs.

1. Are you aware that social media provides free services because they earn money by collecting your data and placing relevant advertising based on that?

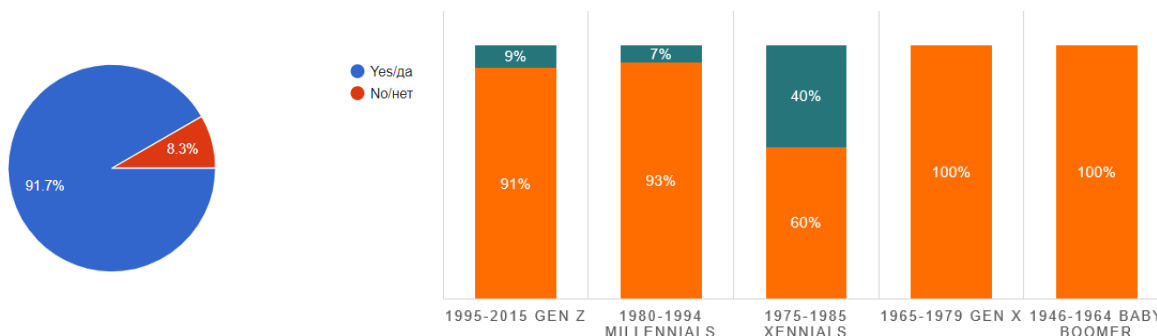


Figure 4 Awareness about data collection

As a whole, users of all generations understand that social networks and search engines provide the service for free, because financed by its advertising. It is assumed that this awareness arose relatively recently due to the emergence of paid services that many companies offer, such as to purchase a paid version without ads.

2. Marketers use your private data to address an advertisement to you. How do you feel about it?

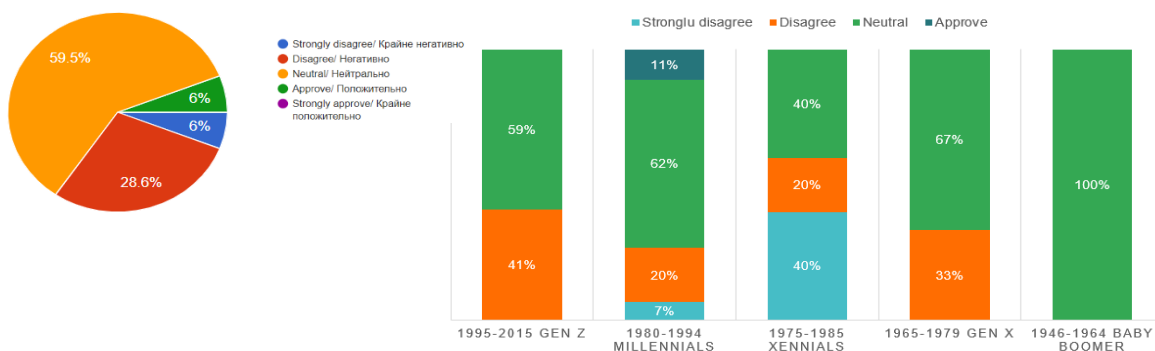
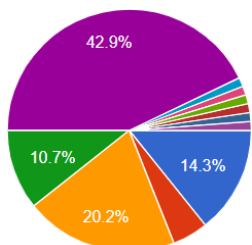


Figure 5 Attitude towards data collection

Most respondents, regardless of age, have a neutral attitude to the use of their personal data. However, it is worth noting that only 6% of respondents have a positive attitude

towards this, while 28.6% are negative about it. 40% of people between the ages of 35 and 45 are very negative about collecting information about themselves. Interestingly, 11% of millennials approve of the use of their data.

3. What exactly is a matter for your concern regarding the hyper-targeted ads?



- a) I am worried that my data will be misused or will be subjected to cyberattack (36 responses).
- b) I do not want to share any personal information (17 responses).
- c) Nothing, that is all right (12 responses).
- d) Methods of data collection (9 responses).
- e) It involves too personal details of my life (4 responses).
- f) Too intrusive advertisements (1 response).
- g) Misunderstanding of the interests (1 response).
- h) I am just not great with the whole commercial thing (1 response).

Figure 6 The matter for concern regarding the hyper-targeted ads.

The large amount of users fear that their data will be used for other purposes or that they will be exposed to cyberattacks, as 42.9% of respondents believe. Twenty and two percent are reluctant to share their personal information and 14.3% are happy with everything.

4. Would you like to limit the information that you provided for marketers?

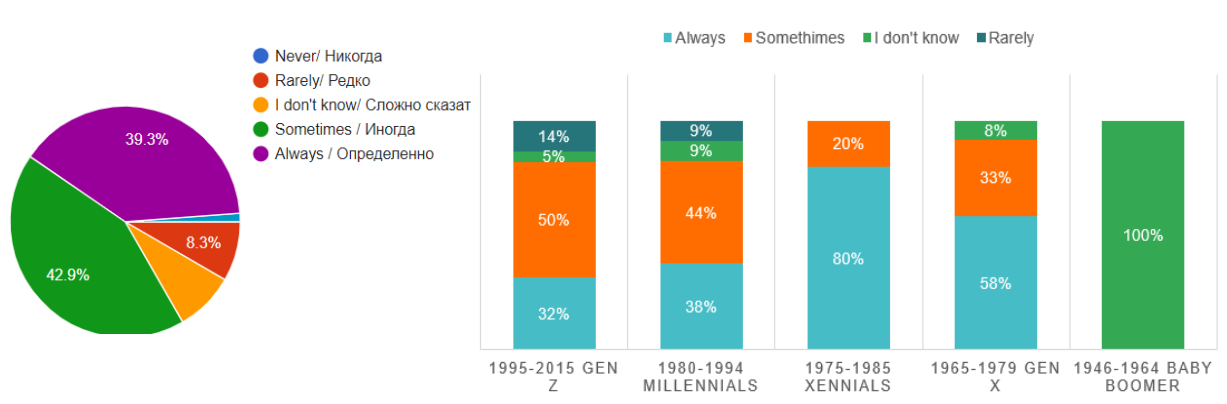
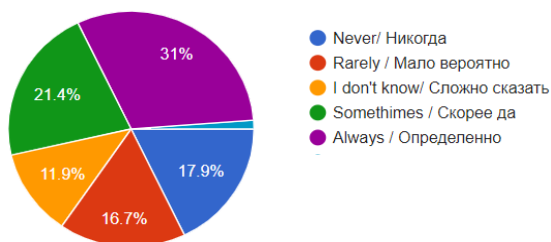


Figure 7 Willingness to limit personal information

Most people would like to restrict their data from marketers. There is an assumption that in the future, with the increase of popularity of programs allowing to limit the data collection, difficulties related to data collection may arise for marketers.

5. Have you ever noticed that relevant advertising (based on the key words of your private chat) shows up right after your mundane conversation (even when your phone is locked)?



In this question, the answers were divided proportionally, i.e. there are approximately the

Figure 8 Awareness about mundane conversation tracking

same number of people who have never noticed that their everyday conversations are being tapped and those people who definitely came across these.

6. What do you feel about it?

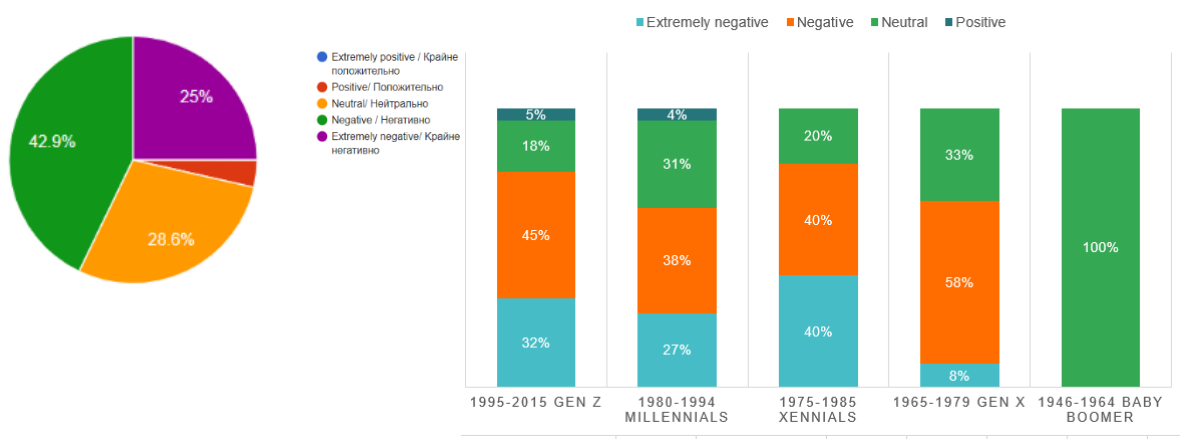


Figure 9 Attitude towards conversational data collection

Despite the fact that large number of the respondents did not personally notice that everyday conversations are listened, the attitude even the very probability of this causes 25% of respondents to have an extremely negative attitude. Almost half of the respondents consider this to be unethical and 28.6% have a neutral attitude to this.

7. Will you agree to stop using social media (VK, Facebook, Instagram, etc.), if this led to your privacy violation?

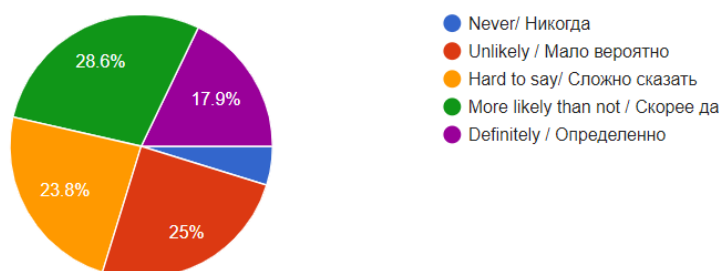


Figure 10 reflection of negative attitude towards data collection to the platform

One hypothesis suggests that people will begin to project their negative attitude towards hyper personalization onto a platform that provides this advertising. The survey found that the opinion on this matter is not unambiguous and that even if the client does not like that marketers are interested in his personal life, 25% of them are not ready to refuse to use the services of this company. Despite this, it is worth noting that 17.9% do not deny this probability.

8. Which of the following platforms do you use most often?

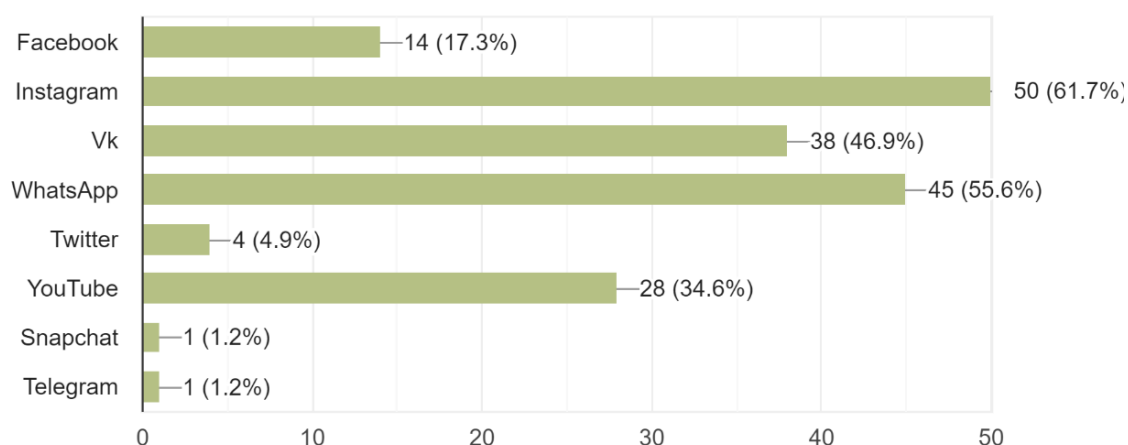


Figure 11 The most popular Internet platforms

Instagram has established a leading position the survey. The WhatsApp, free messaging service, scored almost the same number of votes. The Russian-speaking social network

VK overtook Facebook, probably because most of the respondents came from Russia. Most likely for the same reason, the YouTube platform is way ahead of Facebook.

5.4 Key findings from empirical research

1. How likely is it that widespread customers' data mining will lead to a "canny valley" effect and harm the customer-brand relationship?

Forty percent of respondents suppose that they would abandon to use a platform if they felt threatened or experienced inconvenience from using the platform. However, given the fact that the number of users of internet services is only growing, at the moment there is no reason to believe that there is a danger for companies, adhering to the same strategy, to lose customers. Further research into customer relationships is required to draw more accurate conclusions.

2. Do people consider the collection of their personal information as a violation of personal space?

More than 50% of people do not consider targeting marketing a potential threat to their privacy and most of them have a neutral attitude toward it. However, about 30% of respondents would like to limit the personal information available to marketers. According to the results of this study, it would not be possible to understand whether the number of people concerned about privacy will increase or, on the contrary, the number will decrease. Further research and surveys would help track customer behavior in the dynamics.

3. What is a breaking point when customers start to reject a brand?

The wiretapping of everyday conversation is a rather aggressive method of collecting information, it should be noted that there is a certain tendency- the more people who realize that their conversations are being tapped, the more discontent appears on this issue. Because 83% of those who have experienced listening to phones look at it negatively or extremely negatively. 40% of those who answered that they did not encounter wiretapping believe that they would have reacted to this neutrally and even positively.

4. What exactly causes negative emotions regarding the hyper-personalized approach?

The main reasons are fear of cyberattacks and misuse of data. Consequently, the negative attitude can be avoided by enhancing server security and building trust with clients.

5. The most popular internet platform

Instagram is the most popular among respondents, it is worth considering that 82% of respondents belong to the generation of Z and Millennials.

6 RECOMMENDATION

Often, what seems right for companies is not so for customers, that is why companies should take certain steps to avoid financial losses. Although there has already been a major breakthrough in targeted marketing, there is more work to be done. The following are guidelines that companies should stick to get the most out of digital marketing.

Cyber-security is paramount. In order to win the confidence of customers, it will be reasonable to allocate resources to strengthen the security system. With the increases in the amount of data available incidents of hacking companies' operating systems have become more frequent. Enhanced security system and constant control over it will help avoid such incidents. The area of cybersecurity is steadily developing, applying more and more new technologies, that is why it may be right to think about attracting third-party companies that are specialists in this field. Ensuring the security of personal data and smooth operation of systems will allow companies to create a trusting relationship with the client and bring a sense of protection. Customers want to feel confident to provide personal data and the data of their family members.

Provide even more personalized content based on the interests of each individual and avoid the complication of data. There are several reasons for a more detailed analysis. Firstly, it is obvious that making conclusions based only on generalized data of different groups of people companies prone to make mistakes and inaccuracies in decisions. Secondly, often incorrect conclusions cause irritation on the part of customers who express their indignation at why they are ranked in this group. Already, a global breakthrough has taken place in the field of data processing, and marketers are able to analyze in detail the lifestyle, interests, and behavior of people. However, specialists should see the next task as a more detailed analysis of individuals and the difference in their behavior for different markets. This is necessary to adjust the strategy of their behavior, find new ways to interact with customers, and deliver more relevant content.

Strengthen human intervention. It is a mistake to believe that the success of digital marketing is completely dependent on the further development of technology. Without the constant participation and control of specialists, it is impossible to interpret the result and carry out an analysis of the data obtained.

Involve specialists from various fields. In order to improve business performance, companies must hire experts from different spheres. Thus, along with marketers, issues related to the digital marketing strategy should be addressed by specialists in the field of psychology and sociology in order to guide the company toward the right direction and

conduct the proper assessment of the received data. Moreover, the CSR team must carefully monitor that all decisions and innovations in strategies comply with moral and ethical standards.

The only people-centric approach is able to generate real value for brands. Brands should set themselves the vital task of satisfying the needs of customers, keeping the customers' best interest. Regardless of the business, market, or target audience, it is essential to pay attention to a more nuanced understanding of people's needs and make sure that the actions are not aimed only at obtaining the benefits of a company. Brands should strive to experience empathy and be responsible for their actions and understand the human side of the issues. Every company has to decide how far it is going to drive the sales and revenues; however, it is possible for corporates to build more intelligent and smart solutions increasing the degree of responsibility and involvement.

Clients should feel the sincerity of your intentions, this will help them relax and not feel threatened. Then they will provide companies with their personal information more willingly. Using technology, you should try to find out what customers really think, be interested in their opinion and expectations, and encourage them to give feedback. By complying with these requirements, companies will be able to build a long-term relationship.

7 CONCLUSION

7.1 Answers to the research questions

The transition to digital marketing provides many advantages for modern companies, in particular, the greatest is saving resources due to focus on a narrower target audience, and as a result of that, the appearance of a more effective response to advertising from customers and reducing of unnecessary costs. Undoubtedly, customers' data today is one of the most valuable resources of contemporary companies.

It turns out that the current situation is such that targeted advertising is now working in one direction. Companies intend to get the maximum benefits from digital marketing, ignoring the interests of customers, and not thinking about the possible devastating consequences. Taking into account only the obvious advantages, for example, such as rapidly increasing in demand and a quick response to advertising campaigns, modern brands are guided only by the short-term strategy, overlooking the negative factors that could affect the reputation of brands already in the near future. There is a probability that constantly growing resentment and dissatisfaction on the part of customers can lead to the complete or partial rejection of companies that do not comply with ethical and moral standards, carry little credibility with their security system and do not listen to the opinions of their users or do not handle their personal data in a proper way.

Thus, at the present moment, there are two radically opposite opinions about the further course that companies should follow. Some experts believe that the current strategy requires fundamental changes due to the threat of losing customers, which could lead to a complete downfall. Others believe that no action is required at this stage. Interestingly, both opinions could be equally true. The fact is that in spite of that it is human nature to inflate the price of what he has, (the "endowment effect"), there is a lot of evidence that users of social networks and other internet services are not ready to refuse the services of companies, even despite the fact that those undermined their confidence. From this, it can conclude that the benefits received from companies exceed the value established by them of their online privacy. Dissatisfaction and resentment remain only in words and do not lead to any consequences affected companies' financial position.

But does this mean that companies should not take any measures and continue to act only in their own interests? Undoubtedly, in the conditions of fierce competition and the ongoing struggle for their place on the market, companies resort to all possible actions, sincerely believe that the growth and prosperity of the company directly depend on the amount of data received. However, it can be concluded that when it comes to analyzing

human behavior, things are not so simple. Cultural, psychological, social, ethical factors directly affect the dependence of targeted marketing and brand attachment. People's behavior is difficult to predict, especially when marketers try to raise the sensitive and very intimate areas of their lives. In this case, targeted marketing can work in the opposite direction and bring losses rather than profit.

In order to define future tactic brands will need a deeper analysis of what is happening and put more effort to determine where this breaking point starts, before which they should stop using the radical and aggressive methods. It is certain that the results will be different depending on the target audience, market, field of activity, and many other factors, but attempts to get into the nuances and details of the issue will bear fruit. The use of data should be controlled by a cohesive group of professionals from different fields, be aimed at long-term prospects and lasting relationships with customers, comply with ethical and moral standards, and, most importantly, be used in reasonable quantities. By following these rules, companies can become more protected from consumer alienation.

The best solution at the moment may be to try to build a dialogue with customers, openly informing them of the company's intentions and putting customer interests above all else. Exploring and trying various tactics will give a chance to find the point where the barrier customer attitude toward personalized advertising passes. Thus, a balance will be found between the needs of companies in receiving new user data and the comfort and tranquility of their customers. At the same time, the direct dialogue will inspire confidence among customers, which will help them overcome fear and, perhaps, provide more of their personal information.

Table 1 Research Questions and Key Findings

Research question	Key findings
How can brands maximize the impact of hyper-target marketing strategy and simultaneously comply with ethical and moral standards?	Track possible changes of customers' attitude in relation to online advertising. Collect feedbacks. Apply a sound strategy and focus on the client. Be ready for improvements and quick changes. It is required to establish a direct dialogue with customers in order to earn trust and loyalty. Be able to provide secure service and data protection.

<p>How justified is the desire of companies to implement online marketing today?</p>	<p>To maintain competitiveness, companies must develop a digital marketing strategy. It will lead to more efficient resource management, since it focuses on one target group and results are easy to track. The continuous data acquisition and analysis provides a valuable opportunity to meet the latest requirements of customers, improve product, and use the most effective methods and channels for sales and advertising.</p>
<p>How do consumers perceive hyper-targeted marketing?</p>	<p>Based on the results of the internet questionnaire, it should be assumed that at present, most internet users do not see targeting marketing as a potential threat to their privacy. At the same time, 30% of respondents would like to reduce the amount of their personal information that companies receive by monitoring their online activity, and 40% assume that they will refuse platform services if they begin to feel that their privacy is being violated. However, a clear trend is being observed that the more aggressive data mining measures, the more negative the attitude towards such methods is.</p>

7.2 Validity and reliability

The research was conducted by the use of both the secondary and the primary data. The secondary data were collected from well-known published books and articles written by experts in the field. Before the use of oral sources such as Ted speeches and recorded interviews from Youtube channels, the author reviewed the background information about the speakers, how professional they are, and how much experience they have regarding the theme. For example, Paul Roetzer is an expert specializing in digital marketing, a

founder and CEO of PR 20/20, the agency designed marketing programs, and the Marketing Artificial Intelligence Institute. The second one is a Gerd Leonhard who is a futurist, humanist, and author of 'Technology vs Humanity' debates about the ethics and the future of humans in a connected world. Dr. Peter Hannay, whose ideas were presented in the chapter about conversational data, is a young security researcher who published several studies about the topic.

The primary data was gathered from the internet survey. All respondents received the same set of questions that were presented in understandable English, and moreover, translated into Russian to be sure that everybody understands what is asked. The response options were given using the Likert scale that gave the participants a wide range of choices for answers. The survey was conducted anonymously and confidentially, the author did not know who in particular answered the questions.

7.3 Suggestions for further research

As it was mentioned in the research limitations chapter this thesis does not take into account the specifics of certain areas of business. However, different markets have their own specific audience and, accordingly, their own characteristics and the relationship between the client and the brand. Perhaps further studies with a focus on a specific sphere will help to find more accurate results in people's attitudes.

The next topic for further reflection is the differences in the concepts of brand and publisher. It is possible that users do not project their negative reaction from advertising appearing on a particular platform on the brand representing this product. At the same time, a reverse reaction is also can be considered when negative emotions from products are not projected onto the platform, but cause rejection of the brand.

It is recommended to carry out further research to define the customers' attitudes towards hyper-targeted advertising in dynamic since the results of this thesis provided only the information that is relevant at the moment. The author suggests assessing and reviewing current customers' attitudes towards online tracking and possible changes over time.

8 SUMMARY

To maintain competitiveness, companies increasingly introduce and develop digital marketing strategy improving its methods and approaches. This type of marketing has a number of obvious advantages over traditional: in particular, saving resources due to a narrower focus, the ability to emphasize only on the company's target group; and the power to quickly track and respond to any kind of changes in customer behavior.

It would seem that this should not cause disagreement, because internet users, for their part, also receive a number of benefits: this speeds up the process of searching for the right product and allows them to choose the best option in accordance with their preferences (price, quality, geolocation).

However, the implementation of best marketing practices requires a large number of clients' personal data: their behavior, habits, interests, environment, social circle, employment, and income. All this information refers to personal or private data, therefore, many people do not want to provide it to marketers. There is an opinion that such actions of companies do not comply with ethical standards and violate the confidentiality of customers.

The purpose of this work is to find a balance between the desires of companies to get from users as much personal information as possible and at the same time not to violate the personal boundaries of customers and not to provoke any negative feelings among them. To solve this problem, it was necessary to consider the issue from two opposite points of view: on the part of companies and on the part of clients.

In order to find out the reasons that guide companies in choosing strategies for digital marketing, the author conducts a literature review. In so doing, it took into account relevant books, for example *Humanizing Big Data* written by Strong, *Targeted* by Smith, speeches by specialists in this field Gerd Leonhard and Pual Roetzer, etc. In the course of the study, it was found that in order to successfully promote marketing, the following requirements must be met: to form a strategic team consisting of specialists from various fields, be prepared for quick changes, be transparent with customers, provide a secure service and ensure data protection.

With the help of literature review, it was also assumed that modern society is prone to desensitization, which means that the value of privacy in the modern world is disappearing, and people tend to devalue their confidentiality and are willing to give up it in exchange for the use of services provided by various internet platforms.

Evaluation of customer attitudes to targeted advertising was carried out using empirical research, which was conducted in the form of an internet questionnaire. 84 people were interviewed, and they were divided into five age categories. As a result of the survey, it was found that at the moment most Internet users do not see internet advertising as a threat to their privacy, and the majority has a neutral attitude towards it. However, many admitted that they would refuse to use the platform if they felt any violation of their privacy. 30% of respondents would like to limit the amount of personal data available to marketers. These results will be of great benefit for further studies of the attitude of users to advertising in dynamics, which will make it possible to understand how this trend is changing. To date, it can be accurately stated that people who are faced with aggressive methods of collecting personal data (listening to everyday conversations) have a greater dislike for hyper-targeted approach than those who have not yet noticed this.

The main reason why people are concerned about the hyper-personalized marketing approach is a fear that their data would be used for other purposes or would be susceptible to a cyberattack. Thus, in order to avoid financial losses due to the refusal of customers to use their services, companies should pay particular attention to security issues and attempts to convince customers of the openness of their intentions.

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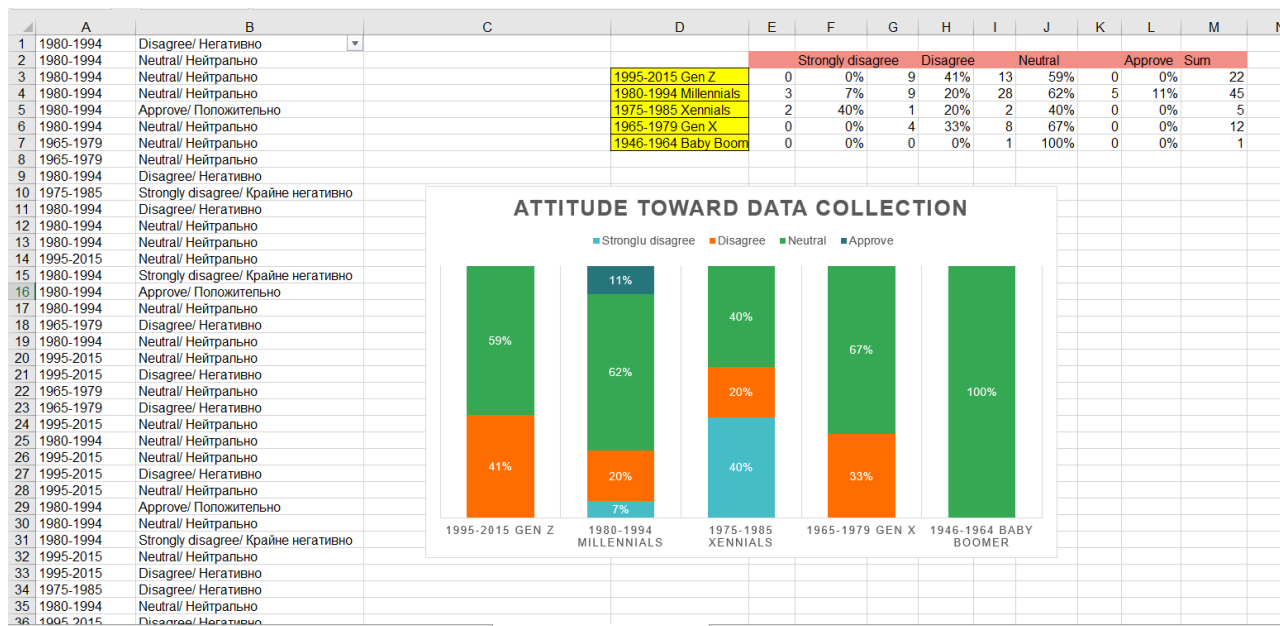
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APPENDICES

Appendix 1 Attitude towards conversational data collection of respondents who does not come across it yet.

	A	B
1	6. Have you ever noticed that relevant advertising (based on the	7. What do you feel about it?/ Как вы к это
7	Rarely / Мало вероятно	Neutral/ Нейтрально
9	Never/ Никогда	Negative / Негативно
12	Never/ Никогда	Negative / Негативно
13	Never/ Никогда	Neutral/ Нейтрально
15	Rarely / Мало вероятно	Positive/ Положительно
16	Never/ Никогда	Positive/ Положительно
18	Rarely / Мало вероятно	Positive/ Положительно
20	Rarely / Мало вероятно	Negative / Негативно
23	Rarely / Мало вероятно	Negative / Негативно
30	Rarely / Мало вероятно	Negative / Негативно
34	Rarely / Мало вероятно	Negative / Негативно
36	Rarely / Мало вероятно	Negative / Негативно
43	Never/ Никогда	Negative / Негативно
47	Rarely / Мало вероятно	Neutral/ Нейтрально
50	Rarely / Мало вероятно	Neutral/ Нейтрально
51	Never/ Никогда	Neutral/ Нейтрально
53	Never/ Никогда	Extremely negative/ Крайне негативно
54	Rarely / Мало вероятно	Negative / Негативно
55	Never/ Никогда	Negative / Негативно
56	Never/ Никогда	Negative / Негативно
58	Rarely / Мало вероятно	Neutral/ Нейтрально
61	Rarely / Мало вероятно	Negative / Негативно
64	Never/ Никогда	Neutral/ Нейтрально
68	Never/ Никогда	Negative / Негативно
70	Never/ Никогда	Neutral/ Нейтрально
75	Never/ Никогда	Extremely negative/ Крайне негативно
79	Rarely / Мало вероятно	Negative / Негативно
82	Never/ Никогда	Extremely negative/ Крайне негативно
85	Never/ Никогда	Extremely negative/ Крайне негативно
87		
88		

Appendix 2 Attitude towards data collection



Appendix 3 Willingness to limit providing personal information

