

When Does Information Transparency Reduce Downside of Personalization? Role of Need for Cognition and Perceived Control

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Volume 57, Issue 3

<https://doi.org/10.1177/10949968221095557>

Abstract

Companies increasingly use personalization to offer a better experience to their customers. Online personalization enables them to learn from customers' data and adapt their website content accordingly. Although customers may value personalization, it may also trigger privacy concerns. In this context, both regulators and firms need a better understanding of the process underlying the effect of personalization on privacy concerns, as well as the role of information transparency in this process. Drawing on signaling theory, the authors propose how perceived control may mediate the negative impact of personalization on privacy concerns and hypothesize that the interaction effect of personalization and information transparency depends on customer need for cognition. Findings from two experimental studies show that perceived control is lower on personalized websites than on nonpersonalized websites, which leads to privacy concerns. However, the presence of a transparency message can mitigate the negative effect of website personalization for customers who are in low need for cognition.