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The Algorithmic Consumer: A Theoretical Perspective on Consumer Buying Behavior in Intelligent Markets

Karishma R. Roy[1], Dr. Chinmay Baxi[2], Dr. Riddhish N. Joshi[3]
[1]Research Scholar, School of Liberal Arts & Management Studies,P P Savani University,
Email ID:-karishmaroy1701@gmail.com
[2]Associate Professor, Shanti Business School, Ahmedabad
Email ID:-chinmay.baxi@gmail.com
[3]Associate Professor, School of Liberal Arts and Management Studies, P P Savani University,
Email ID:-riddhish2@gmail.com

ABSTRACT
Today, businesses are making more and more use of Artificial Intelligent (AI) technologies in their operations. This widespread use of AI technologies is changing how a consumer searches, evaluates and purchases products in the online intelligent markets. Consumer behavior is shaped by consumer's own cognition as well as influence by machine learning systems (AI technologies). These advanced systems use algorithmic personalization, predictive analysis, ranking systems and automated decision support to guide the consumers. To understand the consumer buying behavior in these intelligent markets, this paper, titled "The Algorithmic Consumer: A Theoretical Perspective on Consumer Buying Behavior in Intelligent Markets," proposes an integrated conceptual framework.
"Unified Theory of Acceptance and Use of Technology (UTAUT) (Venkatesh et al. 2003)", "Diffusion of Innovations (Rogers, 2003)" and "Disruptive Innovation Perspectives (Christensen, 1997)" are the foundations of this research. This paper argues that the algorithmic influence works through three interconnected mechanisms namely, behavioral reinforcement through personalization, cognitive effort reduction and perceived performance enhancement. Here, conventional consumer behavior models are extended by adding new constructs such as algorithmic trust, perceived AI transparency, adaptive habit formation and data-driven social influence. This paper proposes that AI tools and systems do not simply play the role of marketing tools but also actively influence consumer preferences, attention, post-purchase learning and habits.
In this work, theory is being built methodologically and conceptual synthesis technique is used. Model abstraction (simplification) and comparison analysis is used to achieve proposed conceptual integration. A through multidisciplinary analysis which included literature from marketing, information systems and innovation studies, was carried out. The aim of this exercise was to identify overlapping theoretical frameworks. With this exercise a nested framework is created that connect behavioral results, psychological mediators and technology affordances.
Traditional consumer theories have been used, which focus on the human-centric framework as a base for this exercise. This base was further expanded to understand AI-augmented viewpoint. This study strongly proposes that AI tools & systems are actively involved in the consumer's decisions-making journey as opposed to the previous conception of them being simply passive actors, guiding consumers. The implications of this study highlight that organizations must manage system transparency, trust alignment and personalization to maximize consumer engagement. This study describes "algorithmic consumer" and its inception. Going further, this study also lays foundation for future empirical studies as well as policy discussions of autonomy, ethics, and control over pricing in the AI-powered digital ecosystems.
Keywords: Unified theory of acceptance and use of technology (UTAUT), UTAUT2, AI and Consumer Decision-Making, Marketing/ Consumer Behavior

1. INTRODUCTION

As we all are witnessing that the development and deployment of "Artificial Intelligence (AI)", "Machine Learning", "Big Data Analytics", and "Algorithmic Personalization" is taking place around us with a rapid pace. This is upgrading the traditional marketplaces and traditional marketing techniques beyond our imagination (Brynjolfsson & McAfee, 2017; Devenport et al., 2020). Digital platforms are using more and more advanced automated tools, such as decision-support systems, conversational agents, recommender systems, and predictive pricing modules, virtual try-ons (Shankar, 2018; Wedel & Kannan, 2016). These tools assist the platforms guide consumer's choices. To be able to

perform this task, these platforms continuously gather and analyze user data. This helps them develop strategies which can be deployed for user engagement and marketing purposes. The said data may include browsing history, previous purchases, location information and even the activity of the user on the social networking platforms (Chen et al., 2012; Devenport et al., 2020). The technological advancement is making this change possible in the intelligent marketplaces. As a result, digital marketplaces are becoming more and more adaptive, highly personalized, and can respond better to consumer's needs in these constantly evolving market conditions (Brynjolfsson & McAfee, 2017).

The technologies and tools used by the intelligent markets actively influence consumer's behavior, in ways that the consumers may not even realize. Let's consider the example of "recommender systems". These systems take inputs from the consumer, search the product catalogue on their behalf and present the results matching consumer's needs. This seems straight forward and consumer-controlled process however in fact the results presented by the recommender systems are selected by the recommender system. The system decides which options to present, which to omit and also decides their ranking. This influences, what consumer sees and further affects their preferences (Thaler & Sunstein, 2008; Xiao & Benbasat, 2007). Similarly, "predictive pricing" also affects consumer's decisions. This feature uses past data to understand patterns in demand and offer price based on it. It also considers user profile, their willingness to pay and seasonality of the product (Chen et al., 2016; Shanker, 2018). For example, with the help of predictive pricing an umbrella vendor can maximize the profit and maintain consistent sales throughout the season. In this case, the predictive pricing feature will provide higher price of the umbrellas prior to monsoon, anticipating higher demands. During the season as the demand subsides it may offer discounted price and once the monsoon is over the systems will offer maximum discounts to lower the price further as the product demand dips even more.

Another feature of these AI-enabled systems, "conversational agents" is also responsible for influencing consumer behavior. These conversational agents engage with consumers with human-like interactions to establish connection with them. Thus, increasing engaging time and possibility of increased cart value (Luo et al., 2019). For example, in the case of online marketplace selling clothing and accessories, if a consumer asks about certain color or size availability of a clothing item. The conversational agent will check the inventory, answer the query and may also suggest a matching accessory. This will not only increase the cart value but also make the consumer return to the platform because the conversational agent acted as their personal shopping assistant. With these different AI-enabled systems and tools, digital platforms are transitioning from being just passive partners to active partners, equally responsible for consumer behavior on the platform. A partner who not only collaborate with the consumers, but also predict consumer choices (Parker et al., 2016; Zuboff, 2019). With this the AI-enabled systems change the definition of consumer autonomy and alter the mechanics of the competition. They are also responsible for the development of consumption environment mediated by algorithms. In these environments where AI-enabled systems are present and continuously influencing consumers, their decision-making process is no longer solely depended on their cognitive process. Here, the decision-making process of the consumer is more of dynamic interaction between consumer and the AI-enabled systems (Yeomans et al., 2019).

As per Herbert Simon (1955), human decision-making is limited by cognitive limitations, time and information available. He coined this as "bounded rationality". Bounded rationality (Simon, 1955), information asymmetry (Akerlof, 1970), persuasive communication and social influence (Cialdini & Goldstein, 2004) are the focus of classical consumer behavior theories. Interpersonal communication channels or mass media platforms are the major source of these inputs. Intelligent markets introduced AI-enabled systems in this scenario. Algorithms can easily go beyond previous construct's influence and provide personalized product listings, search result rankings and offer alternatives. Personalization can also influence consumers even after purchase is complete (Wedel & Kannan, 2016; Zuboff, 2019). These interventions by the AI-enabled systems, take place in real time, continuously and adaptively by learning from consumer data (Devenport et al., 2020).

These transformations raise very important theoretical questions:

What effects algorithmic personalization has on the traditional models explaining consumer decision-making?

Do AI systems fundamentally redefine existing psychological mechanisms, or AI systems are just improving them?

How should the theory of consumer behavior adapt to take impact of AI-mediation into account?

This paper proposed the concept of "Algorithmic Consumer" – a market actor whose decision-making process is co-produced by AI systems. The AI systems which are deployed by the digital marketplaces and their existence may or may not be noticed by the consumers. This study conceptualizes AI-systems or intelligent systems integrated in the digital markets as co-decision agents alongside consumers. These agents are capable of influencing consumer's attention, cognition, preferences and habits.

The objective of this paper is stated as,

To rethink consumer purchasing patterns in markets powered by artificial intelligence.

To incorporate knowledge from consumer psychology, innovation diffusion and technology adoption.

To create multi-level conceptual framework that explains purchasing behavior mediated by AI-enabled systems.

To make testable theoretical claims for upcoming empirical investigations.

By advancing a theory of the algorithmic consumer, this paper contributes to marketing and consumer research by going beyond human focused constructs and understanding the AI-supplemented perspective of market behavior.

2. LITERATURE REVIEW

2.1 Theoretical Foundations

2.1.1 Consumer Decision-Making in Traditional Marketing context

The traditional consumer behavior models describe purchase behavior is a logical and sequential action. This action involves multiple steps such as identifying the requirement, looking for information, searching for alternate options, evaluating the results, and finally purchasing the product. This action extends beyond purchase of the product. It also involves post-purchase evaluation, where consumer evaluates the efforts & time invested in the process along with the price paid against the quality of the product and the satisfaction they experience (Engel et al., 1968; Kotler & Keller, 2016). Here, consumers are considered as the active participants that collect and compare information to optimize perceived usefulness of the product (Oliver, 1980). These traditional consumer decision-making models believe that the consumer assumes, that they have control over their decision-making process even there is a lack of complete information.

The "Theory of Planned Behavior (TPB)" states that intentions drive human behavior. Attitude towards the behavior, social pressure, and perceived behavioral control form the core of intentions (Ajzen, 1991). TPB shows us that strong intention and actual control over the behavior results in higher possibility of the behavior being acted upon. Herbert Simon, presented concept of "Bounded Rationality". Bounded rationality explains that the human decision-making process is restricted by cognitive limitations, time and the available information (Simon, 1955). Bounded rationality often results into to "convenient" or "good enough" options instead of the best possible option. Consumer prefer mental shortcuts over through analysis which can be exhaustive. Bettman (1979) proposed the "Information processing theory" which states that the consumers are active problem solvers, with flaws such as limited attention and memory. They search information and process it to form the purchase decisions. However, due to their cognitive limitations they prefer simple strategies such as focusing on important details/ attributes and ignoring other information which they feel is less important for the decision-making process (Bettman, 1979). Cialdini and Goldstein (2004) suggest that direct and indirect influence from peers and social platforms, shape the way how an individual behaves, feels or thinks. Their decisions are based on this. A direct request from the peer or just to fit in the social group can lead the individual to behave differently (Cialdini & Goldstein, 2004).

In general, consumer-initiated search and cognitive assessment in comparatively open information environment is mainly highlighted in the traditional behavior models. These theories were created in the human-mediated environment, before the rise of AI-enabled systems. Today, in intelligent markets AI-enabled systems continuously check, if the products are visible, prioritized or recommended to the consumers (Wedel & Kannan, 2016). With the help of personalized exposure and organized search results, AI-enabled systems shape how the decision-making process takes place. The same decision-making process which was earlier considered as pure human-focused now shifting towards algorithmically influenced process.

2.1.2 Technology Adoption and AI Acceptance

In the previous studies human cognition was used to explain adoption of technology. The "Unified Theory of Acceptance and Use of Technology (UTAUT)" suggested "performance expectancy (PE)", "effort expectancy (EE)", and "social influence (SI)" as essential constructs impacting technology adoption (Venkatesh et al., 2003). Its extension UTAUT2 further added "hedonic motivation (HM)", "price value (PV)" and "habit (HB)" as factors affecting user's intention to adopt technology (Venkatesh et al., 2017). While explaining how users adopt technology, the "Technology Acceptance Model (TAM)" states "perceived usefulness (PU)" and "perceived ease of use (PEOU)" as important contributing factors (Davis, 1989). In order for these models to work conscious decision of the consumer is very important.

However, in AI-enabled marketplaces acceptance of technology (AI tools & features) is largely assumed. Algorithms are embedded in the core of digital platforms so seamlessly that users may or may not notice their presence. This means, if they are not aware of the presence of the AI-enabled systems, then they cannot consciously decide if they want to "adopt" the algorithms in the decision-making process. The AI-enabled systems search and organize content, prepare ranking lists and provide personalized recommendations behind the scene, in real time. It makes them a very important and essential part of everyday life without consumers ever noticing them. This shows us that the technology acceptance is not the central issue in the intelligent markets. Today, the key issue is the continuous dependence of consumers on the AI-enabled systems. The results, and actions like search, comparisons, decision to purchase a product or service are provided by the AI-enabled systems. These are the examples of consumer's dependence in the intelligent markets (Devenport et al., 2020). Over time, this dependence on AI-enabled systems, very likely forms habit among the users (Limayem et al., 2007).

AI encourages continuous use by lowering cognitive load of the consumer and improving their perceived performance of the system. This is achieved by information filtering and personalization of the content presented (Bettman, 1979; Wedel & Kannan, 2016).

2.1.3 Diffusion and Disruption in Intelligent Markets

Rogers' (2003) "Diffusion of Innovation Theory" explains how technology adoption spreads through the masses using social system over time. The theory proposes 5 attributes affecting the adoption namely, "relative advantage"- where user evaluates if the technology is better than what it is replacing, "Compatibility"- here user checks if the technology is compatible with the existing setup, "Complexity"- user inspects if the technology is difficult to use, "Trialability"- users are keen to know if the technology can be tested first before committing adoption, and "Observability"- user wish to know if the results achieved by adopting the

technology can be viewed by others (Rogers, 2003). Devenport, (2020) argues that increased personalization and predictive accuracy give AI-driven marketing solutions a considerable relative advantage. Once, these AI-driven marketing solutions are integrated into the well-known digital platforms, they spread quickly. This is because the users are familiar with the platform and they feel that the AI-enabled systems are compatible and less complex.

From the perspective of "Disruptive Innovation" (Christensen, 1997), a new technology or business starts simple but, over time changes or completely replaces existing technology or company by redefining the value perceived by the consumers. This change may also lead to restricting of the markets. Let's consider the example of "Netflix", which started as a video rental company. At the beginning it was not directly competing with the video rental stores like "Blockbuster". However, once "Netflix" introduced streaming service, it became easy for viewers to access and watch content from comfort of their homes. This made customer to move to this new service from physical rental. This led to shutdown of "Blockbuster". Here, "Netflix" successfully disrupted and restructured the video rental industry. In the intelligent markets, algorithms with the help of data are replacing human judgement (Brynjolfsson & McAfee, 2017). In this scenario, the competitive advantage comprises of processing power and data availability.

Along with the markets, customers also get affected because of this disruption. The reason behind this is that the AI-enabled systems act as mediators, who present filtered and customized content to the consumers, thus changing consumer's perception of their assessment processes and decisions (Wedel & Kannan, 2016). Someday, artificial intelligence may completely take over decision-making authority of the consumer, if the reliance on algorithmic outcomes continues. Because of this, AI-driven intelligent markets symbolize disruption and diffusion simultaneously, spreading the AI technology significantly.

2.1.4 Algorithmic Mediation and Market Structuration

Today, businesses and consumers interact with each other with the help of AI-enabled systems. These data-driven systems facilitate and shape the interactions between these two parties; this is called as "algorithmic mediation". AI-enabled systems alter visibility, rank options and provide personalized communications in order to influence consumer behavior and subsequently the market outcomes (Pasquale, 2015; Wedel & Kannan, 2016). This highlights that in the intelligent markets, the AI-enabled systems use three main mechanisms for mediation, namely attention structuring, preference shaping and behavioral reinforcements.

When there is too much information available, ranking and recommendation systems decide what a consumer sees first. These systems use pattern of consumer's attention such as what they click, watch or search. This means the systems present fewer and more relevant options to consumers, resulting in the AI-enabled systems actually influencing which options consumers actually consider during the decision-making process (Hagiu & Wright, 2020). Intelligent data-driven systems arrange and present options in order to influence decision making process, this falls in line with the "Choice Architecture Theory" (Thaler & Sunstein, 2008). Davenport (2020) also suggested that the preference shaping takes place when AI-enabled systems reinforce certain options based on observations from the observable behavioral patterns (Davenport et al., 2020). As per Zuboff (2019), feedback loops and repeated exposure to comparable recommendations may set preferences for consumers due to less exposure to variations/ alternatives (Zuboff, 20190. When considered collectively, these processes challenge the idea of consumer being in complete control of the decision-making process. This proposes a hybrid economy where consumer's behavioral outcomes are shaped by both human activity and computer intelligence.

2.2 Conceptualizing the Algorithmic Consumer

The idea of an "Algorithmic Consumer" is that the consumer whose decision-making process is heavily dependent on the AI-enabled systems. In simple words, a consumer who depends on AI-enabled systems for their search, evaluation and decision of purchase, instead of putting their own efforts and cognitive skills, is known as "algorithmic consumer". As suggested by Wedel & Kannan, (2016) a traditional consumer trusts their own ability to find the desired product by going through available options, evaluating them and finding the right fit as per requirements (Wedel & Kannan, 2016). These AI-enabled systems bridge human intention and machine interference by constantly learning from user data and providing relevant results in real time (Devenport et al., 2020).

As AI-enabled systems provide filtered and customized recommendations, the consumer receives ready-made results. This reduces the cognitive strain of the consumers. This is the key component of the "Algorithmic Consumer". In the traditional way, the consumers have to go through all options, by themselves. Then, they have to compare the options, rank options as per their closeness to meeting the requirement before finalizing the one which meets the requirement the most. This definitely causes information overload (Bettman, 1979). AI-enabled systems effectively narrow down the search as well as rank options based on user data. This boosts the efficiency of the buying process. Since AI-enabled systems learn from user data, their repeated use adds more and more data, leading to results from AI-enabled systems becoming more and more accurate over time. This, further nudges consumers towards AI-enabled systems for recommendations & purchase decisions (Logg et al., 2019). Limayem et al. (2007) also confirms the same by stating that the regular exposure to customized outputs, helps build adaptable habits among consumers by ingraining consumption behaviors in the intelligent markets.

How much a consumer decides to trust an AI-enabled system and the results provided by it, is known as "trust calibration". If the consumers find that the results provided by the AI-enabled system are reliable and accurate. If they find that the system can explain

effectively about how it has reached to the suggested recommendations. They feel more confident about using the system and its features. As, trust increases, consumers are more likely to accept and act on the suggestions provided by the AI-enabled systems (Glikson & Wooley, 2020). AI-enabled systems influence consumer's trust, perceived usefulness and reduce cognitive load during decision-making process, helping them form habits. This process links AI-enabled systems and human behavior.

When summarize, the "algorithmic consumer" can be described as an individual whose decision-making process is highly influenced by their interaction with the AI-enabled systems. As this individual becomes more and more familiar with the AI-enabled systems and its features, they become dependent on these systems. Once exposed to these systems, the consumers look forward to the filtered options and personalized recommendations provided by these systems, as it makes the decision-making environment simple and reduces mental load. This continues interactions with the AI-enabled systems also helps develop habit because consumers adjust their behaviors to accommodate AI suggestions and recommendations. In addition to this, the consumers also form trust for the AI-enabled system and their features over time by evaluating accuracy and reliability of the results provided by these algorithms.

3. CONCEPTUAL FRAMEWORK

In the intelligent markets, buying behavior results from a three-way interaction: Technological Attributes → Psychological Mediators → Behavioral Outcomes. This simple but important structure builds the foundation of the proposed conceptual model.

3.1 Technological Attributes

Treem & Leonardi (2013) has explained "Technological Attributes" as the actions that the technology allows or restricts the users in a specific environment or set-up (Treem & Leinardi, 2013). In simple words technological attributes decide how technological products or services are adopted, used and perceived. This influences consumer behavior and subsequently the marketplace. In the intelligent marketplaces, AI-enabled systems provide new tools and features that affect how consumers make decisions. These systems affect how information is presented to the consumers, how consumers interpret that information, and how they react to it (Wedel & Kannan, 2016).

In this context, some technological features play very important role in influencing consumer decisions. Four important technical attributes namely, "algorithmic personalization", "perceived AI transparency", "perceived predictive accuracy" and the "level of automation" present in the platform are key to this framework.

3.1.1 Algorithmic Personalization

Algorithmic personalization can simply be described as the personalized recommendations and content presented by AI-enabled systems to the consumer after studying consumer's online data. This data includes consumer's browsing history, previous purchases, preference patterns and activity on social media platforms (Devenport et al., 2020). These AI-enabled systems try to match products or services with consumer's needs and interests. Personalization provides sense of perceived usefulness to the user and also reduces search efforts. Naturally, the user feels more satisfied and this improves chances that the user completes the purchase (Tam & Ho, 2006). Yin also stated that AI-based personalization greatly increases the possibility of the user to click on intended product and complete the purchase (Yin et al., 2025).

Wedel & Kannan has also stated that personalization influences a user positively however, it can also limit what consumer sees. Algorithms filter the options what they deem unfit while preparing the customized list. This effectively shows us how algorithms shape attention of the user and ultimately influence their behavior (Wedel & Kannan, 2016). Algorithmic personalization also strengthens customer engagement and their behavioral responses (Misra et al., 2024).

3.1.2 Perceived AI Transparency

Perceived AI Transparency is explained as how well the consumer thinks that they understand the process and reasoning behind AI-enabled system presenting specific recommendations to them. Perceived AI transparency is not about consumers understanding the technical workings of the AI-enabled system but, about how clearly the system justifies the recommendations to the consumer (Glikson & Woolley, 2020). Glikson & Woolley, (2020) further state that when the consumer understands why certain recommendations are presented to them, they are more likely to trust the system and follow the recommendations. On the contrary, when the consumer doesn't understand the reasoning behind the recommendations, it creates confusion, they become skeptical and this reduces their trust in the system. Hence, providing explanations, helps consumers trust the system and rely on the recommendations provided by the AI-enabled systems (Xiao & Benbasat, 2007).

Perceived AI transparency also affects usage of AI-enabled systems and platform loyalty. Transparency helps improve consumer trust and satisfaction. This results in long term engagement with the AI-enabled systems and its features by the consumer. Simply put, when consumer feels informed, they are more likely to continue using the platform and the AI-enabled systems deployed by the platform (Devenport et al., 2020). Without transparency even the most accurate systems may face resistance from the consumers.

3.1.3 Perceived Predictive Accuracy

Perceived predictive accuracy is a consumer's belief. A belief about how accurate, relevant and reliable the AI-enabled systems recommendations are as compared to consumer's preferences, needs or future behavior. In simple words, it is a question in consumer's mind, "Does this system really understands me, my requirements, preferences and can make correct predictions?". It is the consumer's opinion about the system and not the actual system accuracy. When the consumer feels that the system provides accurate results, they are more likely to trust the

system. Higher perceived accuracy boots decision confidence of the consumer (Devenport et al., 2020).
When the consumer believes that the AI-enabled system can effectively predict their preferences, they are more likely to go through with the purchase. This shows that the systems which consumers believe are accurate, positively influence purchase intentions and conversions (Lin, 2025). When consumers feel that the recommendations provided by the AI-enabled system are accurate, they consider the suggested product or service is of best quality as per their selection criteria and preferences. They experience lower risk during the decision-making process and this positively influences their purchase decision (Zhang et al., 2024).

3.1.4 Automation Intensity

Automation intensity simply states that how much the AI-enabled system performs tasks on its own in the consumer's journey from searching the product to making the purchase. In today's intelligent marketplaces, AI-enabled systems can easily perform tasks like search, filter options, rank suggestions, provide auto-renewals or one-click purchase on their own. User interference in these tasks is minimal to none. If the AI-enabled platform offers higher automation, consumers will experience faster and simplified decision-making process. This involves less cognitive effort from the consumer and helps improve overall experience using the said platform (Gavrila et al., 2023). These automated systems have been noted to increase service efficiency, resulting in boosted quality consumer engagement (Pangriya & Singh, 2020).
On the other hand, higher automation may make the consumers feel less involved in the decision-making process, thus the enjoyment experienced during the purchase may seem low (Li at al., 2025). This may result in lower adoption and discontinued use of the AI-enabled systems. Consumers will feel that they are not in control and the decisions are being formed for them instead of formed by them. This affects consumer's behavior negatively (Chen & Zhang, 2025).

3.2 Psychological Mediators

The internal cognitive and affective process of the consumer are known as psychological mediators. Technological attributes affect these psychological mediators to alter the consumer behavior. In simple words what a consumer thinks & feels inside their mind during the decision-making step, is known as psychological mediators. AI-enabled systems offer tools like automation, customization of content and predictive analytics. These are technological attributes and their impact of consumer behavior is determined by how the consumer perceive, understand and respond to them (Devenport et al, 2020). It can be observed that the AI-enabled systems alter the consumer behavior indirectly. These systems provide tools which influence consumer perception, emotions and decision-making process, which ultimately impacts consumer behavior (Huang & Rust, 2021).
In this proposed framework, five important psychological mediators are identified. These include perceived usefulness, cognitive effort reduction, algorithmic trust, adaptive habit formation, and perceived autonomy.

3.2.1 Perceived Usefulness

The consumer's belief that using AI-enabled system and its features will help them improve their efficiency, quality of decision-making or overall outcome is called as perceived usefulness (Davis, 1989). In the technology adoption research, it is closely associated with concept of "performance expectancy" (Venkatesh et al., 2003). As stated by Davis, (1989) with regards to technology acceptance, perceived usefulness is one of the strongest predictors of technology adoption and its actual use (Davis, 1989). In case of AI-enabled systems and intelligent markets, if the consumers believe that the use of AI-enabled system and its feature will help them find better products quicky; then they are more likely to use AI-enabled system and its features (Devenport et al., 2020). When consumers consider the AI-enabled system useful, they are more likely to depend on it, heavily. This is true, especially when there is too much information available or the consumer is not well-versed with the product, like a non-technical person shopping for computer peripherals.
In the case of technology adoption, Davis, (1989) has mentioned that perceived usefulness reduces uncertainty and improves decision quality. Consumers believe that the technology which is deemed useful, increases efficiency, which helps them form better decisions (Davis, 1989). This is also, applicable to the use of AI-enabled systems in the intelligent marketplaces.

3.2.2 Cognitive Effort Reduction

In the intelligent market AI-enabled systems help the consumers with search and evaluation of the options. Consumers find that the decision-making process doesn't require much mental effort as the AI-enabled systems think and decide for them. This perception of the consumer that the AI-enabled systems reduce their mental load is known as cognitive effort reduction. Consumers will prefer that the AI-enabled systems are completing the tasks for them, since the human decision-making is limited by cognitive capacity i.e. memory capacity, understanding level and focus of the consumer (Bettman, 1979). AI-enabled systems help the consumer make complex decisions with ease, by searching relevant products or services, evaluating them, ranking them according to relevance and preferences and also providing additional relevant information (Tam & Ho, 2006).
Lower cognitive load also reduces fatigue experienced in the decision-making process. This increases consumer satisfaction. Because of this, consumers are more likely to depend on the AI-enabled systems (Huang & Rust, 2021). However, over reliance on the AI-enabled systems may result in the reduced critical evaluation by the consumer. It may also shift part of evaluation process to the AI-enabled systems.

3.2.3 Algorithmic Trust

The degree to which the consumer feels confident in the decisions or the recommendations provided by the AI-enabled system is known as algorithmic trust. In simple words, when the consumer says, "Do I trust the AI-

enabled system, to find the right product for me, to make correct decision for me?", is considered as algorithmic trust. Algorithmic trust is specially very important when the consumer, themselves are not confident about their own decision or evaluation. This may happen due to consumer's lack of expertise on the subject or incomplete information (Glikson & Woolley, 2020). Also, when the consumer experiences accurate recommendations from the AI-enabled system on regular basis, their trust and confidence in the system grows (Logg et al., 2019).

Higher the algorithmic trust, greater are the chances of consumers adopting AI-enabled systems. If consumers think that the AI-enabled systems are reliable and competent, they will willingly use the AI-enabled system and its features (Shin, 2020). However, trust needs balance. Too much trust can cause over-reliance, while too little trust can cause rejection.

3.2.4 Adaptive Habit Formation

When the consumer uses the AI-enabled systems frequently, they develop an automatic, routine behavior specially towards the recommendations. Over time using recommendations provided by the AI-enabled systems becomes their default way of purchasing products. This process is known as adaptive habit formation. This is supported by the "habit theory', which suggests that the repeatedly performed actions in stable context becomes automatic, like a habit (Limayem et al., 2007). Limayem, (2007) further states that the habit also confirms continued use of technology by the consumer. Going further, Verplanken & Aarts, (1999) mentioned in their study that habit guarantees behavioral consistency, which means that the consumers are not keen on switching the platforms. This shows that habit also helps build consumer loyalty. They also mentioned the flip side of this scenario; if habit is developed, consumers show resistance to change. This indicate that they will not explore new options (Verplanken & Aarts, 1999).

The effect of adaptive habit formation is often seen in the intelligent markets which use AI-enabled systems. The personalization and predictive recommendations reinforce automatic repetitive behaviors. As habit becomes strong, decision-making process requires less deliberate effort and behavior becomes more consistent.

3.2.5 Perceived Control

Perceived control can be described as consumer's belief that they can make their own decisions about the selection and purchase of the product, even when AI-enabled systems are actively proposing recommendations. Perceived control is a basic psychological need which not only influences consumer's motivation but also their well-being (Deci & Ryan, 2000). Consumers always want to know if they can make their own choices or the AI-enabled systems are deciding for them? If consumers feel that the algorithms are actively pushing them towards certain choices and their options are restricted; their perceived control reduces. They feel that the AI-enabled systems are restricting their freedom of choice. In the case of intelligent markets, if the platform has high automation levels, this may affect negatively for consumers. Consumers may perceive that their control over purchase decisions is low (Andre et al., 2017).

In the case where the consumer feels that they have more control over their choices and decisions even when AI-enabled systems are present on the platform. They are more likely to go through with the purchase because they feel that they are in charge of the decision-making process (Pavlou, 2003). Hence, it is very crucial to maintain balance between system automation and user control to ensure that the consumers are satisfied.

3.3 Behavioral Outcomes

Consumer's actions such as making the purchase, repeated use of the platform or following recommendations provided by the AI-enabled systems are considered as behavioral outcomes. These are observable actions and often represent the final stage of decision-making process. This is the stage where psychological mediators like trust, effort reduction and adaptive habits result into actual behavior (Ajzen, 1991). AI-enabled systems influence the behavioral outcomes by adjusting what consumers see, simplifying decision-making process for them and building consumers trust towards the AI-enabled systems and the platform. This makes the consumer to return to the platform repeatedly and rely on recommendations provided by the algorithm (Huang & Rust, 2021). Therefore, it can be stated that the behavioral outcomes are the visible display of psychological processes, that are influenced by the AI-enabled systems. Within this proposed framework, five primary behavioral outcomes are emphasized: purchase intention, actual buying behavior, loyalty and platform stickiness, reduced search diversity and algorithmic reliance.

3.3.1 Purchase Intention

During the decision-making process when the consumer reaches the stage where they are considering buying the product, is called the purchase intention. Purchase intention is not actual buying behavior but rather possibility of the consumer going through with the purchase. It is often the step prior to the actual purchase. Purchase intention is the central concept in the consumer behavior and as suggested in the "Theory of Planned Behavior (TPB) it is the most commonly used predictor of the actual buying behavior (Ajzen, 1991). As stated by Devenport (2020), in the AI-enabled markets, customized recommendations and consumer's belief of receiving accurate listings helps boost purchase intentions, because it increases perceived relevance and reduces uncertainty (Devenport et al., 2020). This shows that the purchase intentions are influenced by consumer's attitude towards products or services (Fishbein & Ajzen, 1975). In the intelligent markets, positive attitudes developed using the AI-enabled systems and their features, result in stronger purchase intentions.

Simply put, when a consumer believes that the AI-enabled systems help them take informed decision efficiently, without cognitive load, the intention to complete the purchase becomes prominent.

3.3.2 Actual Buying Behavior

Once the consumer thinks of buying a product or service, they proceed to complete the purchase by paying the cost

for that product or service. This is known as actual buying behavior. Actual buying behavior is the final stage of the consumer decision-making process. In this stage the intention turns into actual action (Ajzen, 1991). In the intelligent markets, recommendation systems, personalization and automation strategies influence the actual buying behavior (Wedel & Kannan, 2016). Actual buying behavior can be taken as the key metric to understand the effectiveness of these AI-enabled systems and their features. Empirical research by Xiao & Benbasat, suggests that the recommendation systems not only increase the conversion rates but also increase the basket size by providing alternatives or a product bundle (Xiao & Benbasat, 2007). Actual buying behavior from past also affects the future purchases by the consumer (Sheth & Parvatiyar, 1995). If the consumer is satisfied with the previous buying experience, they are most likely to use the same platform for their next purchase.

This shows that the AI-enabled systems not only shape cognitive evaluation but also directly impacts transactional outcomes for the platforms.

3.3.3 Loyalty and Platform Stickiness

Loyalty and platform stickiness are the qualities which show a long-term relationship between the consumer and the platform which uses AI-enabled systems. As, consumer spends more time on the platform, the AI-enabled systems provide more accurate and relevant recommendations to consumer. This along with other features of the platform such as personalized content, swift checkout service, fast delivery makes the consumer to prefer the same platform repeatedly. This is known as consumer loyalty towards the platform. In addition, their details to complete the purchase, preferences, purchase history are stored on the platform, thus removing the need to provide these details again if they go to new platform. All these reasons make the consumer, to stick with the same platform (Gefen et al., 2003). As stated by Parker, (2016) digital platforms use AI-enabled systems to generate loyalty and platform stickiness among the consumers. Loyalty and platform stickiness builds habit over the time and this habit helps the platforms retain their consumers (Parker et al., 2016).

Loyalty and platform stickiness result in long-term consumer engagement with the platform. This helps the platform, get repeat business and consumer retention. AI-enabled systems assist the platform achieve these goals with the help of personalization, automation and maintaining consistent user experience.

3.3.4 Reduced Search Diversity

AI-enabled systems provide customized recommendations to the consumer from their first visit on the platform. Over time as the AI-enabled systems learn more about the consumer, their results become more and more accurate and reliable. These systems show only selected options to the consumer and the consumer prefers to make a choice from this list instead of exploring the platform because it is more convenient and time saving for them. This tendency of the consumer to consider fewer options while making the decision is known as reduced search diversity. Zuboff (2019), has summarized this, as consistent similar recommendations by the AI-enabled systems will reduce exposure to the alternate options beyond personalization filters (Zuboff, 2019). Reduced search diversity simplifies the decision-making process. Fewer options remove complexity and reduce cognitive load from the consumer (Bettman, 1979). The smaller number of options decreases the decision fatigue experienced by the consumers which can positively influence the conversion rate.

This shows how AI-enabled systems are responsible for not only what consumer sees but also what they don't see. This influences the consumer behavior and creates the consumption patterns different from the ones if the search was unrestricted.

3.3.5 Algorithmic Reliance

After repeated exposure to the personalized recommendations, when the results get more accurate, relatable and the consumer starts trusting the system. They prefer to make their selection directly from the recommendations instead of independent search and evaluation. This dependence of the consumer on the AI-enabled systems is referred as algorithmic reliance. In simple terms, algorithmic reliance means when the consumer depends on the AI-enabled system to decide for them instead of deciding on their own. Over time the consumer will prefer the algorithmic advice, rather than making independent choices (Logg et al., 2019). Choosing product directly from the recommendations instead of exploring alternate options is a very good example of algorithmic reliance. Huang & Rust, (2021) suggested that high reliance on the algorithms, reduces consumer's active involvement in the decision-making process. Consumers prefer that the algorithms take decisions for them, resulting in reduced cognitive role of the consumer and lower decision-fatigue (Huang & Rust, 2021). Automatically selecting the top result presented by the AI-enabled system in the recommendations without comparing multiple options, reflects this behavior.

Algorithmic reliance adds convenience but also questions decision-making autonomy and adaptability on behalf of consumer. It highlights both, the power and the risks of AI-enabled systems in relation to the consumer behavior.

Collectively, these behavioral outcomes tell us how intelligent market infrastructure shape consumer's immediate purchase decisions and also long-term consumption trends.

4. Hypothesis Development

A. Technological Effects

The proposed framework suggests that the technological features influence how consumers think and feel. These psychological responses then affect how consumers behave in the AI-driven markets. These propositions are grounded in established theories of technology acceptance, information processing, and human-automation interaction.

H1: Algorithmic personalization positively influences perceived performance usefulness.

AI-enabled recommendation systems use consumer data to develop and deliver customized recommendations to the user which is a continuous learning process for the AI-

enabled systems (Devenport et al., 2020). When the consumer sees these recommendations as per their preferences and requirements, they feel that the AI-enabled systems help them decide about their purchases, better and faster. This thought of the consumer is similar to "performance expectancy (PE)" mentioned in the "Unified Theory of Acceptance and Use of Technology (UTAUT)", which suggests that the consumer will accept and adopt the technology when they perceive that the technology improves their performance (Venkatesh et al., 2003). Therefore, it can be assumed that personalized recommendations can increase the belief that the AI-enabled systems improve decision quality.

H2: Algorithmic personalization positively influences cognitive effort reduction.

When it comes to processing large amount of data, the consumers have limited capability. This is explained as bounded rationality (Simon, 1955) and also as limits of cognitive processing (Bettman, 1979). Decision-making becomes a difficult task when there are many options to choose from. AI-enabled systems address this issue by filtering the options and only show most relevant products. This reduces time and effort on the consumer's part to search and evaluate the information needed (Tam & Ho, 2006). Since, the system performs the action for the consumer, they feel that less mental effort is needed to evaluate the choices. Therefore, one can assume that higher personalization can make consumer feel that decision-making requires less cognitive effort.

H3: Perceived AI transparency positively influences algorithmic trust.

Glikson & Woolley (2020) has stated that consumers trust AI-enabled systems, depending on the results they provide and also on how the results have been produced. The consumers feel comfortable on relying the AI-enabled systems and their suggestions when they understand the process and reasoning behind it. This explanation induces fairness in the consumer's mind and reduces uncertainty (Xiao & Benbasat, 2007). When consumers see that they system is clear and the process can be understood, they are more likely to consider the system as reliable and competent. Therefore, higher perceived transparency by the consumer can increase their trust in AI-enabled systems.

H4: Perceived predictive accuracy positively influences algorithmic trust.

When the recommendations by the AI-enabled system are reliable and consistent, the consumers perceive it as the system is competent. Suggestion accuracy show that the AI-enabled system clearly understands consumer's preferences and the instructions provided. Research on algorithmic appreciation shows us that the consumers rely more on the recommendations and suggestions when the system performs well or consistently (Logg et al., 2019). Therefore, one can assume that when the consumers believe that the AI recommendations are accurate, their trust in the system increases.

H5: Automation intensity negatively influences perceived control when transparency is low.

As stated by Parasuraman (2000) automation intensity is how much the AI-enabled systems control the search and evaluation process (Parasuraman et al., 2000). Higher automation makes the decision faster and more efficient. However, if the automation is high, then the consumer may feel that they are not in control of their choices. As this is very likely when the transparency of the AI-enabled system is low. According to self-determination theory, control is an important psychological need (Deci & Ryan, 2000). High automation levels and low transparency, reduces consumer's sense of perceived control. Consumers want to feel that they are making their own choices. Overall, these ideas explain that high automation intensity in the low transparency environment affect consumers' psychological insights negatively.

B. Psychological Mediation Effects

The suggested framework also explains how technological attributes are translated into behavioral outcomes by psychological mediators. These claims are supported by empirical studies on technology-mediated decision-making as well as well-established behavioral theories.

H6: Perceived usefulness positively influences purchase intention.

When the consumers believe that the AI-enabled systems help them make better decisions, the system helps them improve quality and effectiveness of their choices; then they tend to develop favorable behavior intentions. This behavior is consistent with the "Theory of Planned Behavior (TPB)". The TPB states that the people form stronger intentions when they expect positive outcomes from their actions (Ajzen, 1991). If the consumer perceives that the recommendations provided by the AI-enabled system, help them choose better products, they are more likely to buy products from the recommendations list (Devenport et al., 2020). Therefore, increase in the perceived usefulness can encourage consumers to follow AI-generated recommendations.

H7: Cognitive effort reduction positively influences purchase intention.

As stated by Bettman in the study, consumers would like to be in a situation where making a decision requires less mental effort (Bettman, 1979). When AI-enabled systems provide organized, filtered recommendations list, it becomes easier for the consumer to compare and chose the product. This arrangement is more convenient for the consumer as it involves lower decision fatigue. "Perceived ease of use" is an important factor in the technology acceptance models ("UTAUT") (Venkatesh et al., 2003). Therefore, when the consumers feel that the AI-enabled system reduces their cognitive load, they are more likely to buy products from the recommendation list.

H8: Algorithmic trust positively influences purchase intentions and loyalty.

Trust plays an important role in how people use the technology. It effects both, the first time use as well as continued use of the system (Glikson & Woolley, 2020). When the consumer trusts AI-enabled system's recommendations, they strongly believe that the recommendations provided are reliable and honest. This greatly reduces uncertainty and perceived risk. As a result, consumers feel more confident and comfortable about buying products from the recommendation list. Over time, consumers keep using the same platform because they trust the system. This builds consumer's loyalty towards

the platform and they stick to it for future purchases (Parker et al., 2016). Therefore, one can assume that the trust in the AI-enabled systems and their suggestions have positive impact on consumer's intention to purchase as well as strengthens their loyalty towards the platform.

H9: Adaptive habit formation mediates the relationship between repeated personalization and continued usage of the platform utilizing AI-enabled systems.

Repeated exposure to the personalized recommendations makes the user interact with the platform more frequently. When the consumers see similar suggestions by the AI-enabled systems repeatedly they develop a usage pattern. As consumer spend more time on the platform, the systems get more consumer data to learn from. This helps the AI-enabled systems to provide more accurate and reliable recommendations over time. This further strengthens consumer's habit of using the platform. "Habit theory" explains that behaviors repeated in stable situations can become automatic over time (Limayem et al., 2007). When simply put, consumers come across relevant products or content on AI-enabled platform they tend to follow similar actions repeatedly and form habits. Therefore, adaptive habit formation can explain how repeated personalization leads to continued use of the system and the platform.

C. Structural Market Effects

AI-enabled systems affect more than individual decisions. They also influence how markets work. Intelligent markets definitely influence what consumers buy but they also influence how consumers search products or services and compare them. Once consumers start to depend on the AI-enabled systems for their suggestions and information; they may not be willing to spend time and effort to explore alternatives and will simply follow the recommendations provided by the AI-enabled systems. The following hypothesis clarifies how the intelligent market's increasing reliance on algorithms may alter search trends and consumer diversity.

H10: Increased algorithmic reliance reduces search diversity over time.

Algorithmic reliance occurs when consumers regularly depend on AI recommendations to make decisions (Logg et al., 2019). Instead of conducting their own search for alternatives, they begin to follow the recommendations provided by the AI-enabled systems. In the long run they will compare fewer options from the different sources. Recommendation systems focus on relevance and predictions of user's future interactions, needs and actions (Wedel & Kannan, 2016). This makes decision-making a faster and easier process.

As the system keeps showing similar products, consumers are presented with less alternatives and new options. It can be considered that these repeated recommendations form a personalization loop (Zuboff, 2019). As suggested by Herbert Simon, from the perspective of bounded rationality, people prefer to make easy decisions that require less mental effort (Simon, 1955). Therefore, one can assume, as dependence on the algorithms increases, search diversity may gradually decrease over time.

H11: Reduced search diversity strengthens platform loyalty but may decrease exploratory consumption.

Reduced search diversity can affect the market in two ways. First, when the consumers explore fewer platforms, they may become more loyal to one platform. Digital platforms use data, as well as personalized suggestions and content to keep users engaged. Higher engagement assures more time spent on the platform, likelihood of making purchase and also consumer's returning to the platform. Exploring other platforms involves switching costs like money, efforts and time, this makes user stay longer within the same platform (Parker et al., 2016). Repeated use of the recommendations and personalized experiences forms habits, which again helps strengthen consumer's loyalty to the platform (Limayem et al., 2007).

Secondly, the reduced search diversity may prevent the consumers to explore new or alternate products. Alternate products or new brands which can cater to consumer's needs but opt out from the recommendations because they do not fit the criteria completely. AI-enabled systems select products based on consumer preferences and past history however, they cannot evaluate current real-world conditions of the consumer and also, if the consumer can compromise on certain features of the product. Therefore, it can be hypothesized that lower search diversity can increase loyalty to a specific platform, but it may also reduce exploration on consumer's part.

When taken as a whole, these structural claims show us how AI-enabled systems alter consumer's behavior and also the intelligent markets. These claims help us understand the influence of AI-enabled systems beyond individual choices to overall market development, over time.

5. THEORETICAL MODEL

5.1 Proposed Theoretical Model

Today, how the consumer interacts with the products, services and marketing communications is changed because of more and more integration of AI-enabled systems in the digital marketplace. AI-enabled systems provide features like recommendations systems, predictive analysis and customized content. These features impact decision-making process of the consumer by filtering information and selected exposure. In these situations, algorithmic processes built into digital platforms have an impact on customer behavior in addition to consumer's own cognition.

To explain this scenario, this study proposes a conceptual framework of the algorithmic consumer. Which argues that buying behavior results from interaction between AI-enabled systems used by the platforms, consumer's own psychological responses and the resulting behavioral responses (refer figure 1). This framework uses findings and observations from technology adoption research, consumer decision-making theory and new studies on algorithmic trust and automation in the digital markets.

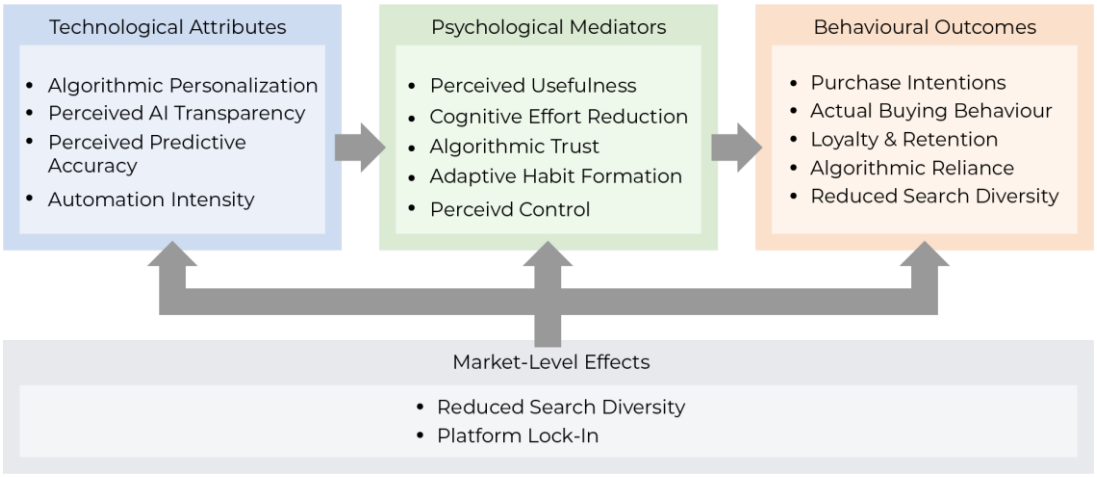


Figure 1. The Algorithmic Consumer: A Theoretical Perspective on Buying Behavior in Intelligent Markets.

The proposed framework consists of three major components: technological attributes, psychological mediators, and behavioral outcomes. Broader market-level implications are also included. This structure reflects a sequential influence process in which technological characteristics of AI systems shape consumer psychological perceptions, which subsequently influence buying behavior.

5.2 Integration of the frame work

The proposed conceptual framework explains us that the buying behavior of the consumer in intelligent market is a multi-stage process. The intelligent features of the AI-enabled platforms influence how consumer thinks and feel. These features influence consumer's trust in AI, perceived usefulness, mental effort and sense of control. These psychological perceptions of the consumer, influence their actions. As a result, consumer may develop stronger purchase intention. Their loyalty towards the platform will be higher and they may also rely more on the AI-enabled systems.

This framework combines technological, psychological and behavioral dimensions to better understand the impact of AI systems on the consumer buying behavior. This model contributes to growing research on algorithm-driven consumption. It also prepares a base for future empirical studies on consumer behavior in intelligent markets.

6. THEORETICAL CONTRIBUTION

6.1 Extension of Consumer Behavior Theory

This study incorporates role of AI-enabled systems in consumer decision-making in order to extend the traditional consumer behavior theory. The traditional models focus on human cognition, attitudes and social influence to explain consumer buying behavior. For example, the "Theory of Planned Behavior (TPB)" states that consumer actions are influenced by attitudes, subjective norms and behavioral control perceived by the consumer (Ajzen, 1991). Similarly, information search, evaluation of alternatives and purchase decisions are the key stages highlighted by the traditional buying behavioral models in the consumer's decision-making process (Engel et al., 1968; Howard & Sheth, 1969). However, these theories were developed before the widespread use of artificial intelligence in digital markets. This makes them incapable of understanding the impact of algorithmic systems on consumer behavior.

This study introduces concept of algorithmic consumer to advance the previous theories. The framework does not consider AI-enabled systems as background tool. Instead, it considers them as the active partners in the decision-making process. With the help of continuous track of consumer data these systems effectively influence consumer preferences and their shopping experiences. Past studies in marketing, suggests that AI-enabled systems enhance customer engagement and improve decision efficiency through personalized interactions with the consumer (Devenport et al., 2020; Huang & Rust, 2021). By integrating algorithmic mediation into consumer behavior theory, the study provides a more realistic explanation of buying behavior in AI-driven digital marketplaces.

6.2 Integration Across Disciplines

The proposed framework combines insights from different disciplines to explain consumer behavior in intelligent markets. Research on AI-driven consumption is related to fields such as marketing, information systems, and innovation studies. The marketing research explains how consumers search information, compare products or services or information and then decide on what to purchase (Devenport et al., 2020; Huang & Rust, 2021). Information systems research simply tells us how individuals adopt and use technology. For example, the "Technology Acceptance Model (TAM)" and the "Unified Theory of Acceptance and Use of Technology (UTAUT)" explain how perceived usefulness, ease of use and social influence impact technology adoption among the consumers (Davis, 1989; Venkatesh et al., 2003).

This framework also includes perspectives from innovation studies like "The Diffusion of Innovation (Rogers, 2003)". It explains how innovation in technology spreads across our society and influences technology adoption. Research in this area also shows us how disruptive technologies change industries to create new ways of value creation for the consumers (Christensen, 1997). By combining the insights from these different disciplines, a better understanding of 'how a consumer behaves in the intelligent marketplaces as well as wider

market dynamics' can be achieved.

6.3 Re-conceptualizing Agency

The traditional theories of consumer behavior inform us that only the consumers are responsible for making the purchase decision. They use their preferences, available information and their judgement to form those decisions. The "Theory of Planned Behavior (TPB) explains that consumer actions are influenced by attitudes, social pressure, and consumer's perceived control over their behavior (Ajzen, 1991). Similarly, classic buying behavior models support this line of thinking. They focus on the role of cognitive effort of the consumer for actions like search, compare and forming purchase decision (Howard & Sheth, 1969). However, these theories were developed before the widespread implementation of digital technologies in markets. Today, AI systems and digital platforms influence how consumers search and evaluate products. Because of this change, the idea of the algorithmic consumer redefines the process and mechanism behind the consumer's decision-making process.

In the intelligent markets, consumer decisions are often nudged by AI-enabled systems. These systems provide customized recommendations, predict options and provide personalized content. These systems decide what the consumer sees and in what sequence. This strongly affects how the consumer search for the products and compare the options. This makes decision making a hybrid process often without knowledge of the consumer. Studies show that consumers often follow recommendations provided by the AI-enabled systems, especially when they believe that the system is accurate and trustworthy (Adomavicius & Tuzhilin, 2005; Logg et al., 2019). Therefore, the idea of the algorithmic consumer explains that both human cognition and AI systems together shape buying decisions in intelligent marketplaces.

7. MANAGERIAL IMPLICATIONS

1. Organizations should improve transparency to maintain trust.

Companies should clearly explain how the AI systems employed by them, generate recommendations. When consumers understand the reasoning behind the recommendations, they are more likely to trust AI-enabled systems and the platform. Transparent AI systems increase credibility and strengthen long-term customer relationships.

2. Excessive automation may weaken perceived control.

Consumers may feel that their choices are controlled by algorithms, if they notice automation on the platform is more than necessary. This may reduce their sense of freedom in decision-making. Organizations therefore, must allow users to adjust settings, filter results, or override suggestions provided by the AI-enabled systems.

3. Exploration must be possible along with personalization.

AI-enabled systems should recommend products that match consumer preferences. At the same time, they should also introduce new or multiple options for consumers to consider. This balance prevents "filter bubbles" and helps consumers discover new products or brands.

4. Trust calibration mechanisms should be embedded in AI-enabled systems.

Companies should design AI systems that help consumers understand when to rely on recommendations. Features such as explanation tools, feedback options, and confidence indicators can help users judge the reliability of AI suggestions. This improves responsible and intentional use of the AI-enabled systems in the intelligent markets.

8. ETHICAL AND POLICY IMPLICATIONS

The increasing use of AI in consumer markets, raises important ethical and policy concerns. AI-enabled systems may influence consumer choices, which can reduce decision autonomy. Algorithmic bias is possible when AI-systems use incomplete or biased data to produce results. These systems also need large amount of data, which raises question of data protection and consumer privacy. Hence, to ensure that the consumer interests are protected, organizations and policymakers should focus on transparent, fair and accountable AI-systems in the intelligent markets.

Intelligent markets raise concerns regarding:

1. Autonomy erosion: AI-enabled systems may influence consumer choices through automated recommendations. Over time, consumers may rely heavily on algorithms. This can reduce independent search, evaluation and decision-making by the consumer.

2. Algorithmic bias: AI models learn from existing data. If the data is faulty or is biased, the recommendations may also become biased. This can lead to unfair and limited product visibility or unequal treatment of the consumers.

3. Market concentration: The big and established digital platforms often have access to the vast amounts of consumer data and advanced AI systems. This can strengthen their market position and smaller firms may find it difficult to compete with them.

4. Data privacy: To produce results AI-enabled systems require collecting and analyzing large amount of consumer data. Improper use or weak protection of this data can threaten consumer privacy. Strong safeguards are therefore necessary.

5. Policy response: Regulations for the responsible use of AI should be created by policymakers. In digital marketplaces, governance methods should support consumer empowerment, justice, and explainability. By taking these steps, AI-driven commerce can be made ethical and transparent.

9. FUTURE RESEARCH DIRECTIONS

Future empirical research should:

1. Test the framework using structural equation modelling.

The suggested framework should be empirically tested by researchers to validate the theoretical model. Relationships between the constructs can be studied using structural equation modelling (SEM).

2. Explore cross-cultural differences in algorithmic trust.

Different cultures may have different levels of trust in AI systems. To increase applicability of the study's findings,

future research must record consumer responses from different countries or cultures.

3. Investigate long-term cognitive effects of AI reliance.

Frequent reliance on recommendations from AI-enabled systems may have an impact on consumer's decision-making and thought processes. Research should look into whether AI eventually lessens the need for independent information search or decision-making.

4. Examine experimental manipulations of transparency levels.

Researchers can design experiments where the level of AI transparency can be changed. This helps understand how explanations or information about algorithms can influence consumer trust and acceptance.

Longitudinal research designs will be particularly valuable for understanding how habits, dependence, and algorithmic influence evolve over time in AI-enabled marketplaces.

10. CONCLUSION

Today the AI-driven marketplaces are growing rapidly. This highlights that the consumer buying behavior is also changing and this behavior must be understood. Traditional theories mainly focus on human decision-making. However, AI systems now play a very vital role in altering consumer choices. The algorithmic consumer framework recognizes these AI-enabled systems as active partners in decision-making process along with humans. These systems influence how the consumers think, how they build preferences and form their purchase decisions. By combining technological factors, psychological processes and outcomes of the market, this framework provides a powerful conceptual base, which can be used for future research.

With time the markets are changing and becoming more and more automated. Consumer behavior theories must also evolve alongside the markets and the technology. Models should move beyond purely human-centered explanations. Instead, they should consider hybrid human-machine decision environments. The idea of the algorithmic consumer clearly represents this emerging direction in the marketing research. It shows us how human decisions and AI-enabled systems are linked to each other in the modern intelligent marketplaces.

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