CRAFTING AN EFFECTIVE AI GOVERNANCE FRAMEWORK FOR B2C MARKETING SUCCESS AND COMPETITIVE EDGE

by

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DISSERTATION

Presented to the Swiss School of Business and Management Geneva

In Partial Fulfillment

Of the Requirements

For the Degree

DOCTOR OF BUSINESS ADMINISTRATION

SWISS SCHOOL OF BUSINESS AND MANAGEMENT GENEVA

NOVEMBER, 2024

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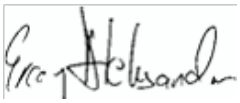
APPROVED BY 

Dissertation chair

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Admissions Director

Dedication

This dissertation is dedicated to my parents for constantly believing in me and encouraging me to excel in my studies and professional work. They have been pillars of strength and source of inspiration in matters of grit, persuasion, health and on all that life throws at you with a lot of smiles, instilling bonding and a never give up attitude.

In their humble beginnings they have shown the way to be honest, caring, loving and smiling and have led the life of dignity and simplicity. It is an honor to be born to my parents whose company, thoughts, deeds and experiences I cherish all through my life.

Education was given prime importance simply that they were not so lucky to lead a life and continue their education, where livelihood was the priority and with responsibilities of the extended family, ensured everyone made progress.

My parents believed in knowledge is the power and the leading light, and the only way to overcome challenges and grow was to pursue a life of positivity and growth by acquiring knowledge. I bow to my parents of having instilled in me the patience, tenacity to accept challenges and help sow the seeds of never say die attitude since my childhood.

Perhaps this mindset led me to pursue Doctorate so late in my career, and once again thank my parents for making me believe that impossible is a word in the dictionary, that dedication and hard work are pillars of success, and one can achieve their goals with passion and little bit of support.

As they say in Sanskrit, "Matru devo bhava, Pitru devo bhava" that means "Mother is God, Father is God”, and their blessings are always bestowed upon their child, and I believe the same is true to all.

Acknowledgements

My heartfelt gratitude to the dissertation chair of my research and supervisor. Professor Dr. Vijaykumar Vardharajan for guidance, support and encouragement during the course of the research.

My family is my biggest strength: my wife, Bhagyashree, my daughter Sabhya and Son Sankalp, give me reason to continue to try to push myself and bear my sacrifices. To my parents, father Venkatesh Kulkarni and mother Padmavathi Kulkarni, who gave me freedom to choose my path very early on, let me deal with challenges and consequences, while still always supporting my back when I needed them.

To many of my friends (school and college mates) who inspired me to continue to pursue my studies and helped push through tough times, and helped me through the years with refreshing honesty.

To Vinod Kulkarni, my close friend, a true gentleman, and one whose actions showed me that being a good and kind human being costs nothing, but can have tremendously positive impact on others' lives. His innovative ideas, never say die attitude, dedication, sincere and honest approach to any topic with his attention to detail to anything innovative has had a profound effect on my overall outlook and studies.

And lastly, but definitely not the least, my guide and DBA mentor, Professor Dr. Vijaykumar Vardharajan who has been a constant source of guidance and inspiration. Thank you. This would not have been possible without any of you.

ABSTRACT

CRAFTING AN EFFECTIVE AI GOVERNANCE FRAMEWORK FOR B2C MARKETING SUCCESS AND COMPETITIVE EDGE

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2024

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Artificial Intelligence (AI) is a transformative technology evolving at a fast pace with rapid innovation. AI is revolutionizing B2C marketing and customers are interacting with brands like never before and both classical AI/ ML and Generative AI using Large Language models (LLMs) like ChatGPT, Gemini, etc., offer tremendous benefits.

AI systems are a bane and boon to the global community, operate in a borderless world, and are considered a double edge sword with harmful and non-harmful use. There are variety of AI risks to consumer/human well-being like exploitation of vulnerabilities, behavior manipulation and societal risks of bias, discrimination and data privacy. The recent risk-based regulatory approach focuses primarily on unacceptable-risk, high-risk and medium- risk, while not obligating the low-risk AI systems like B2C marketing, leading to lack of accountability issues for AI systems used in consumer targeting and personalized advertising.

The aim of this research is a novel attempt to create a holistic AI governance framework for B2C marketing success and competitive edge with a theoretical, conceptual and operational frameworks for B2C marketers to comprehend to a legal

framework within which they can operate reliably, protect their reputation, protect consumers' & society from potential harms and comply with AI regulation.

This study considers four main AI regulation policies with the already legislated and in-force EU AI Act, (2024) based on OECD AI Principles for human well-being and safety, the self-regulation and non-binding US AI Risk Management framework (AI RMF), (2023), the Chinese AI regulations, the Brazil AI regulations and the Singapore model governance framework and addresses the gaps by creating a novel AI governance framework by harmonizing the global regulatory frameworks for B2C marketing success and competitive edge.

They current regulations lack operational details and there is no established framework or theoretical model that is commonly accepted by the industry that describes in detail the overall AI governance firms should adopt.

The study highlights and proposes the critical changes in corporate governance, organization strategy, change management, roles & responsibility, accountability of stakeholders and recommends an agile & collaborative approach to evolve the organization culture on AI governance.

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INTRODUCTION

1.1 Introduction

Artificial Intelligence has emerged as an indispensable tool for B2C marketing with its ability to analyze big data and enable real-time decisions. AI has the potential to bring in enormous amount of economic and societal benefits to a wide range of B2C industries - retail/eCommerce, BFSI, healthcare, travel & tourism, transportation, etc., Enterprises are investing heavily in AI outside of the conventional statistical and econometric models with faster adoption rate (Ma, Liye and Sun, Baohong, 2020).

Sales & Marketing garners maximum budget across enterprises, and marketers are keen to adopt AI technologies (KPMG, 2019), PwC estimates AI to contribute $15.7 trillion to the global economy by 2030 and AI could drive a 7% (~$7 trillion) increase in global GDP and lift productivity by 1.5% over a 10-year period (Goldman Sachs, 2023).

The EU AI Act, 2024 in principle, is the first comprehensive effort to regulate AI, provides guidelines for high-risk and medium-risk AI systems that cause harm to human well-being and society, while low-risk / less harmful use cases are not obligated.

The increasing use of AI has prompted regulators worldwide to introduce regulatory policies such as US AI Risk Management Framework (AI RMF) etc., to ensure ethical & transparent use of AI with accountability. Experts have warned that AI could deepen societal divides and widen existing inequalities, may be exploited by bad actors for manipulation, misinformation, disinformation, human biases, heighten emotions, and induce information overload at the expense of rational decision-making.

Can AI Systems be ethically designed for human benefits, meet stakeholder expectations and comply with regulation? (Wang, Y. 2020). Industry leaders like Elon Musk and Stephen Hawking have questioned if AI systems are always beneficial or could pose threat to humanity" (Wirtz, B. et al., 2020).

While Davenport et al. (2020), Huang M.H. and Rust R.T. (2021) emphasize the AI benefits in marketing, raise that the impact of AI is uncertain and the associated risks of data privacy, bias, ethics and security, making it clear that responsibility & accountability is with marketers. According to HBR article, Burt, A. (2021) raises questions on impending AI regulations and enterprise readiness.

AI governance is a very nascent field, and the impact of AI on human values and society depicts urgency of AI governance. Rapid innovation and growth in AI, entrusted decision-making responsibilities, and the significance of its outcomes lead regulators to seek its governance through human principles (Zaidan, E. and Ibrahim, I.A., 2024).

"An AI governance framework creates a robust business and operational framework to be utilized during the entire AI lifecycle, establishes common risk definitions and directions related to governance", Zhang and Zhou, (2019), and it comprises of tools, processes and levers to influence to build AI systems. Consider responsible AI governance as source of competitive edge and not mere scope to automate manual tasks (Papagiannidis, E. et. al., 2022). AI principles alone are insufficient for an effective AI governance at enterprise level, but need alignment of business process, operations & audit trail to enforce principles (Eitel-Porter, R. 2020).

As of Sep-2024, there is no sectoral guidelines apart from risk-based guidelines in

the EU AI Act. The US AI Bill of rights & US AI Risk Management framework (AI RMF) focuses more on the fundamental rights and leans on existing civil rights laws and is non-binding, recommends Self-Assessment and the US AI Disclosure Act on Safe & Secure AI clearly states that less risky consumer use cases involving Consumer life time value (CLTV) etc., are not obligated, except for compliance with existing data policies.

According to Rivas, P. et al, (2023), in the marketing context, ChatGPT can improve marketer productivity and efficiency by creating high quality marketing contents for product descriptions, promotional messages and analysis of consumer feedback, consumer behavior, sentiment, perceptions and attitudes in a short time.

On the flip side, if not designed properly, there could be legal risks and penalties for data privacy, copyright violations and ethical implications with Large language models (LLMs) like ChatGPT, Gemini, etc., as they hallucinate, generate inaccurate, misleading, harmful contents and introduce bias similar to black box models. E.g. In an ongoing investigation and legal implication NY Times has sued OpenAI on copyright violations for training ChatGPT on its data without obtaining prior permission or consent.

1.2 Research Problem

With clear business benefits in B2C marketing, AI / ML adoption poses many challenges to consumer's well-being and B2C marketers need to minimize risks due to the impact of marketing activities. The main challenges and risks AI pose to humanity are fairness / bias, transparency, responsibility, ethics, data security & privacy and accountability for trustworthy AI.

Given the risks v/s rewards, marketers need to achieve a delicate balance

between exploiting the transformational potential of AI for personally designed marketing strategies, protect brand reputation, achieve ROI and safeguard consumers rights to retain trust in brands. With AI in marketing is set to scale due to increased competition, there is an urgent need to develop guidelines /framework for B2C marketers to leverage AI in their marketing initiatives and be profitable.

The recent AI governance measures taken up by various governments and EU AI Act, 2024 in particular have laid the foundation for an AI governance regime with no specific sectoral guidelines with expected future amendments to address the gaps. The EU AI Act, 2024 is a risk-based framework based and provides broad guidelines across industries on transparency, human oversight, safety and accountability.

While current policies build on the existing data privacy and protection policies (GDPR, CCPA, PDPC etc.,), AI governance is not just about meeting data security and privacy concerns, but involves consumer well-being and safety, and gap exists specifically in the AI Governance for B2C marketers for consumers across industries and there is a clear need to develop AI governance framework for B2C marketing domain.

Following are the motivating factors for the research problem:

- There is a growing demand for increased AI Governance framework, AI Standards, regulatory policies, compliance and legislation for AI Systems regulation.
- The current AI Governance frameworks provide high level regulatory policies, but lack operational details, specific to B2C marketing industry.
- AI's full potential is unknown, the impact of AI is uncertain and the associated risks of data privacy, bias, ethics and security and make it clear that responsibility &

accountability of AI governance is with marketers (Davenport et al., 2020, Huang M.H. and Rust R.T., 2021)

- The unconscious and stealth nature of AI embedded in our daily interactions has increased the level of risk leading to legal issues and a reactive policy action. E.g.: Deep fake, Chatbot turning racist, Data privacy issues
- The EU AI Act, 2024, the non-binding US AI Governance policies (AI Risk Management Framework, AI Disclosure Act for Safe & Secure AI, AI Bill of Rights etc.,) primarily focuses on unacceptable-risk, high-risk and medium- risk AI systems, while not obligating the low-risk AI systems in B2C marketing, leading to lack of accountability issues for AI systems used in consumer targeting and personalized advertising.
- The EU AI Act,2024 does not provide specific guidelines on the use of AI systems in B2C marketing, the transparency and disclosure of their use in marketing strategies, leading to trust issues on consumer understanding on how their data is used for targeted marketing and their effectiveness is a concern.
- EU AI Act, 2024 does not specifically address misinformation and misclassification risks as it only establishes a regulatory framework to address the related concerns. The problem of reputational risk to brands due to misclassification needs to be addressed due to AI output being difficult to interpret / understand (black box model) and produces unexpected results.

1.3 Purpose of Research

Together the core B2C business and marketing form the backbone of any successful consumer facing enterprise today. The adoption of AI in B2C marketing is set to scale, leading to increase in the risks to consumers well-being, hence the need for an effective AI governance framework, and a novelty as there is no known literature.

There is requirement to address the needs of B2C marketers to be competitive, profitable and pro-actively undertake AI initiatives for B2C marketing success in an AI governance regime. The in-force EU AI Act (2024), US Executive orders including US AI Bill of Rights, US AI Risk Management framework (AI-RMF), China & Brazil AI regulations, Singapore model governance framework etc., are still in flux, are emerging, are at various stages, have different approaches and are constantly under revision to further rationalize, being strengthened to address the gaps with amendments.

As per BEUC, (2023) (The European Bureau Consumer Organization), "the scope of the risk classification of AI systems in EU AI Act currently does not include customer experience (CX), customer lifetime value (CLTV), systems to detect fraud, predictions, pattern analysis and recommends to amend the EU AI Act with self-assessment for low-risk AI systems, urges for stronger consumer protection measures and advocates for a regulatory framework that prioritizes consumer rights and mitigates the potential harms of AI technologies.

As per Ada Lovelace Institute (Mar, 2022), the gaps in the EU AI Act include, bias and discrimination as the act does not adequately address the risks of bias and discrimination that can arise of automated decision-making in consumer services. The

institute emphasizes the stronger need for consumer protection so that AI systems does not widen the already existing inequalities or create new forms of discrimination.

1.4 Significance of the Study

The study is significant to be conducted as it will help to get a deeper view and analysis of AI benefits, AI governance concepts and principles applicable to the B2C marketing industry for innovation in their business process and services highlighting the need to address algorithmic bias, data bias, human bias, data privacy, fairness, ethics, transparency and security to enable trust in B2C brands.

According to Papagiannidis, E. et al., (2023), there is no established framework or theoretical model that is commonly accepted by the industry that describes in detail the overall AI governance firms should adopt. Though data is at the heart of AI systems and data protection policies like GDPR, CCPA, PDPA etc., provide guidelines and obligations for violations, yet there is a need for regulating the AI systems as data protection policies alone are insufficient (Canca, (2020) and Kaminski, (2018)).

1.5 Research Purpose and Questions

AI governance in B2C marketing context is a novel attempt. The objective of this paper is “Crafting an Effective AI Governance Framework for B2C Marketing Success and Competitive Edge”. There is a need to plug the gaps and provide holistic AI Governance framework to the B2C marketing stakeholders and prepare the B2C marketers well in advance for the emerging regulatory regime

Following are the specific aims undertaken in the research for the B2C marketing success and competitive edge:

- To operationalize AI principles given the drivers, barriers and risk factors in crafting an effective AI governance
- To align AI governance framework with Business strategy, OKRs (Objectives & Key Results) with Data & AI strategy
- To develop Responsibility and Accountability framework / mechanism for stakeholders throughout AI Lifecycle (RACI Matrix)
- To develop / align AI standards and policies for B2C marketing AI use cases

Following are the list of questions that need to be addressed for B2C marketing success and competitive edge:

1. What are the key drivers, barriers/challenges and risk factors in crafting an effective AI governance framework for B2C marketing?
2. How can B2C marketeers operationalize AI Principles of bias/fairness, transparency, responsibility, ethics, security and accountability to enable trustworthy AI for brands, protect consumer well-being and be profitable?
3. What are the Key Roles & Responsibilities of stakeholders in AI implementation for B2C marketing?
4. What AI standards, processes and documentation need to be adopted by stakeholders throughout the AI Lifecycle in B2C marketing involving Market Research, Strategy & Operations?
5. How to align each of the B2C marketing AI use cases in decision making from Customer acquisition to Customer engagement for balancing innovation with risks for a rewarding Customer experience?

CHAPTER II:

REVIEW OF LITERATURE

The objective of the literature review is to understand the OECD AI Principles in the context of AI governance in B2C marketing for consumer protection, and how these principles can be systematically applied or operationalized to create a robust governance model for AI in B2C marketing. According to Butcher and Beridze (2019), AI governance comprises of tools, processes and levers to influence to build AI systems. The integration of artificial intelligence (AI) into B2C marketing has raised ethical, legal, and social concerns while transforming business with consumer driven marketing strategies.

2.1 Theoretical Framework

AI governance is an unorganized area (Mäntymäki, M. et al., 2022). “An AI governance framework creates a robust business and operational framework to be utilized during the entire AI lifecycle, establishes common risk definitions and directions related to governance” (Zhang and Zhou, 2019).

A simple definition of AI governance is the regulation of AI systems with authority and control to manage AI systems by leveraging data to minimize costs and risks (Schneider, J. et al., 2022). Good governance is conceptualized as a structured process for any enterprise to achieve its goal (Rana et al., 2022). At a minimum, AI governance for business comprises of structure, culture, rules, standards, practices and processes with clearly defined roles and responsibilities to ensure that AI initiatives sustain and help the enterprise strategies and objectives for economic, social benefits and meet the regulation.

One of the objectives of this paper is to create a theoretical framework which offers to analyze the current theories in extant literature to create a foundation for AI governance framework in B2C marketing.

The key dimensions in the theoretical model include the following:

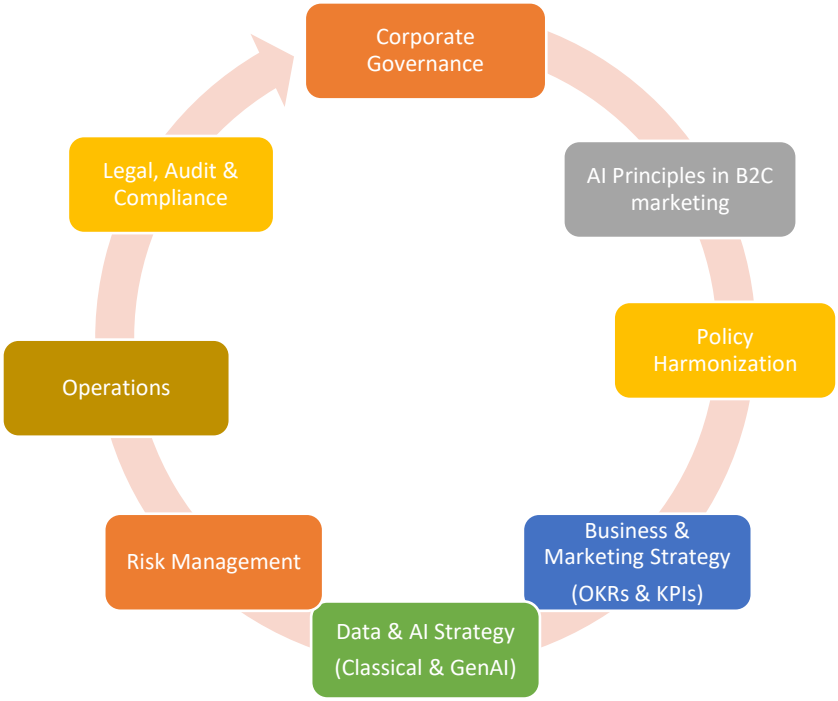

Figure 1: Key dimensions in Theoretical Framework for AI Governance

Corporate Governance

The interplay between Corporate Governance and Marketing is critical in today's businesses and in a complex market environment increasingly driven by AI & data, marketing practices needs to be closely integrated with corporate governance principles such as accountability, ethics, transparency, fairness, responsibility, and balancing the interests of various stakeholders for strategic alignment with broader objectives and goals. Also, NIST AI RMF mandates appoint of Chief AI Officer for every organization

within 180 days as stipulated in the US Executive Order for oversight and executive sponsorship of AI Governance initiatives.

AI governance in B2C marketing involves distributed ownership and responsibility all through the AI Lifecycle with multiple stakeholders involving AI practitioners, AI engineers, ML Engineers, data engineers, data scientists, marketing professionals, legal, audit and compliance experts.

Figure 2: Key drivers for AI Governance inclusion as part of Corporate Governance

AI Principles in B2C marketing

1. Inclusive Growth, Sustainable Development, and Well-Being

Corporate social responsibility (CSR) is a marketing strategy by which organizations communicate their socially responsible initiatives to the society. Specific theories like Carroll's pyramid of CSR or CSR as a concept with a legal requirement for an organization to maximize stakeholder returns, integrate with the community for well-being and contribute to the ethical and environmental expectations into their economic

process (Safarzad, R. et al, 2017), or CSR with dimensions of people, planet and profits.

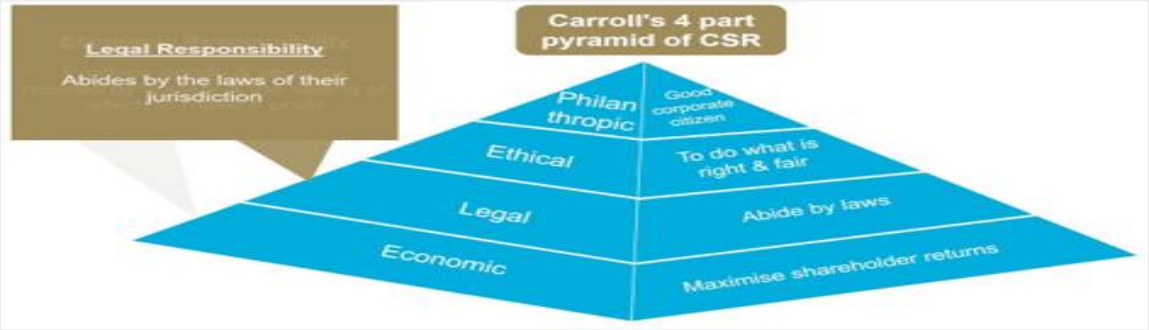

Figure 3: Carroll's 4-part pyramid of Corporate Social Responsibility

The extant literature has majorly highlighted the AI benefits for customers and businesses and often ignored the negative implications of AI and digital marketing to contribute to increase in inequality, social discrimination and socioeconomic vulnerability (Canhoto and Clear, 2020).

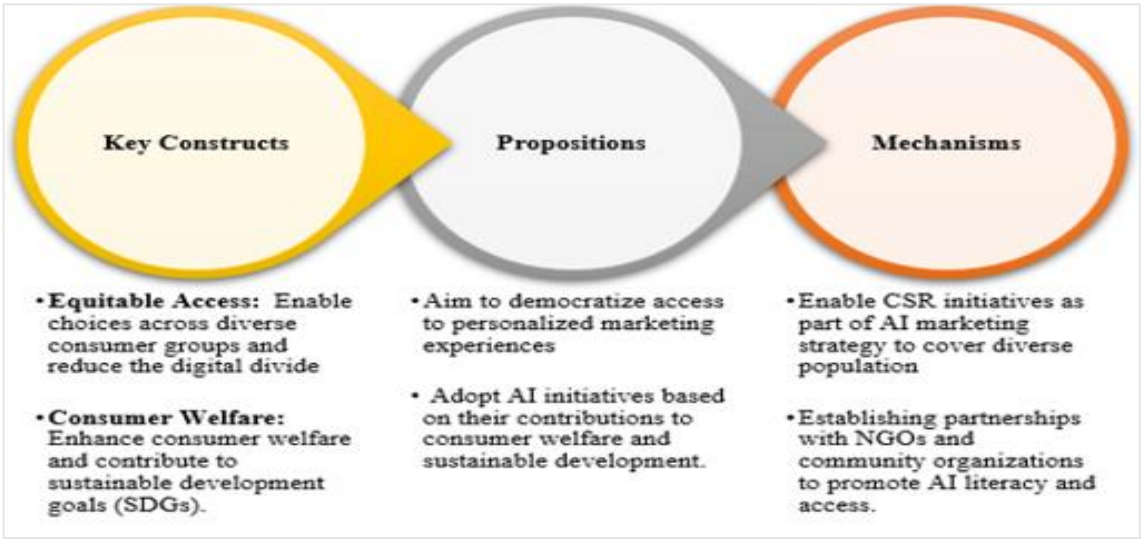

Figure 4: Key drivers for AI principles inclusion as part of AI governance

2. Human-Centered Values and Fairness

Ethical frameworks, including deontological ethics and theories of justice,

highlight the importance of fairness, autonomy, and respect for individuals in the application of technology. Shneiderman, B., (2020), proposes Human Centered AI (HCAI), AI governance with 3 goals of reliability, safety and trustworthy AI systems.

The reliability should be backed by sound technical best practices for designers and software engineers throughout the AI lifecycle with audit trails, bias testing for fairness and explainable HCAI user interfaces for public inquiry and redressal, safety culture from sound management strategies (planning, reviews, internal committees of Responsible AI (RAI) teams etc.,), best practices, trustworthy certification by independent audits, insurance for failure events and voluntary standards and practices.

Classic examples of Human in the Loop (HITL) are the human assisting in labelling data for machine learning, interactive ML to help ML learn faster by integrating feedback interactively on user behavior.

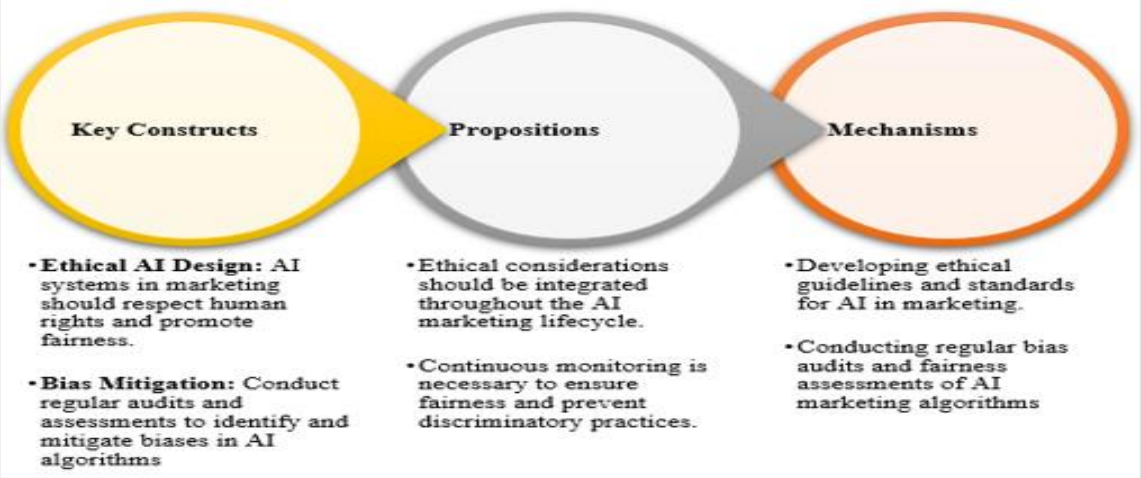

Figure 5: Key drivers of AI Principles for Human Centered Values and Fairness

3. Transparency and Explainability

The rapid development of sophisticated AI systems almost does not require

human intervention during design and deployment, but there is a need to know their impact on human lives for such decisions (Arrieta, A.B, et al., 2020). Transparency theory in organizational behavior and information systems emphasizes the need for clear, understandable, and accessible information to foster trust and accountability.

Unlike interpretable algorithms (decision trees, linear regression, Bayesian classifiers) which enable transparency and traceability, for uninterpretable/black box algorithms (deep learning), focused on accuracy, obscure interpretability and transparency, AI Practitioners must consider numerous posh-hoc interpretability techniques that explains the rationale for model behavior, their strengths and weakness for model predictability, turning black box to glass box models (Rai, Arun., 2019). A recommender systems outcome has significant effect and influence on the user's actions.

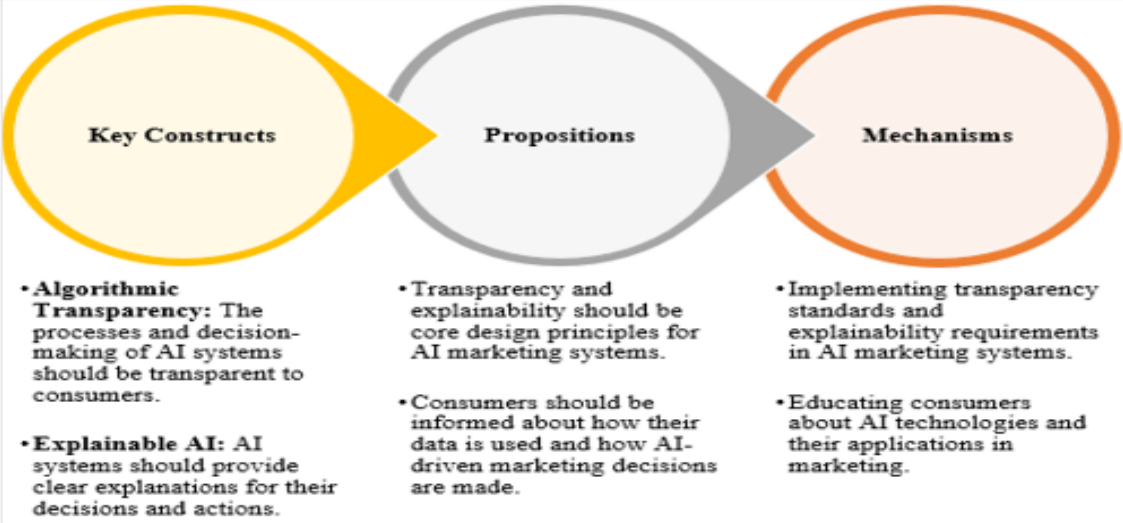

Figure 6: Key drivers of AI Principles of Transparency and Explainability

4. Robustness, Security, and Safety

Risk management theories emphasize the importance of robustness, security, and safety in managing technological risks. The theme of secure AI refers to Data

Governance, data protection and privacy, are governed by current policies (GDPR, CCPA, PDPA/PDPC, PIPL, DPA) for all the PII (Personal Identifiable Information) data collected / processed by enterprise systems, digital and social media, user cookies, 1st party, 2nd party, 3rd party data and data shared with the partner ecosystem. As per Davenport et. al. (2020), policy related to data privacy requires a balanced approach between data protection and regulation to not stifle AI innovation.

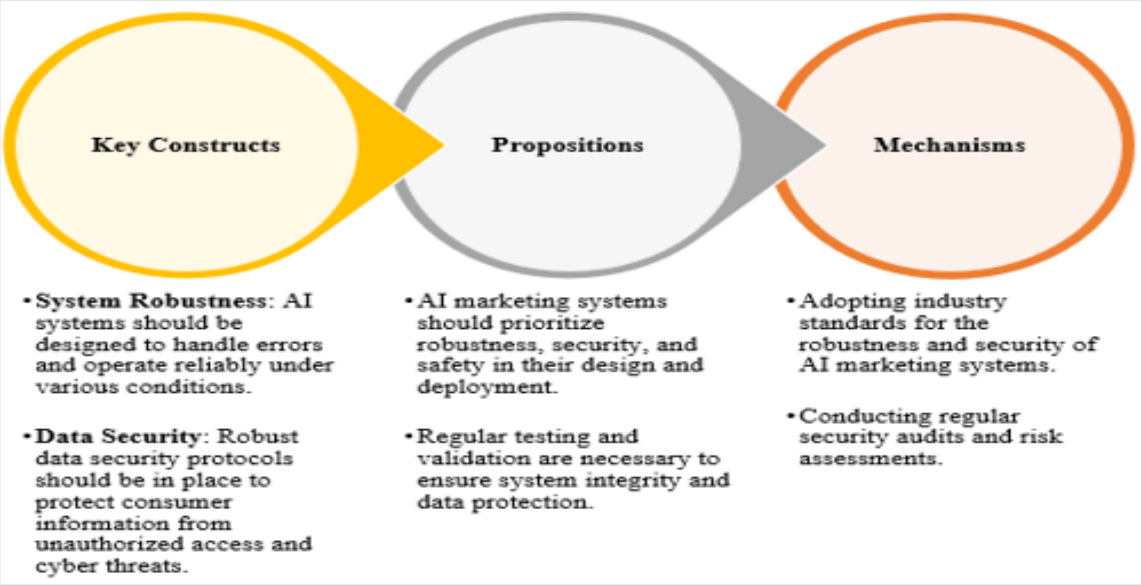

Figure 7: Key drivers of AI Principles for Robustness, Security and Safety

5. Accountability

The theme of Accountable AI refers to the expectations from organizations or individuals responsible for design, development, test and deployment of the AI systems which by nature are considered complex, opaque and involve multiple stakeholders and no one person can be attributed responsibility and accountability due to any issue. This inability to trace and reliably predict decisions, warrants for AI standards (Mittelstadt. B., 2019) and legal liability clause to compensate victims Cihon. P. (2021).

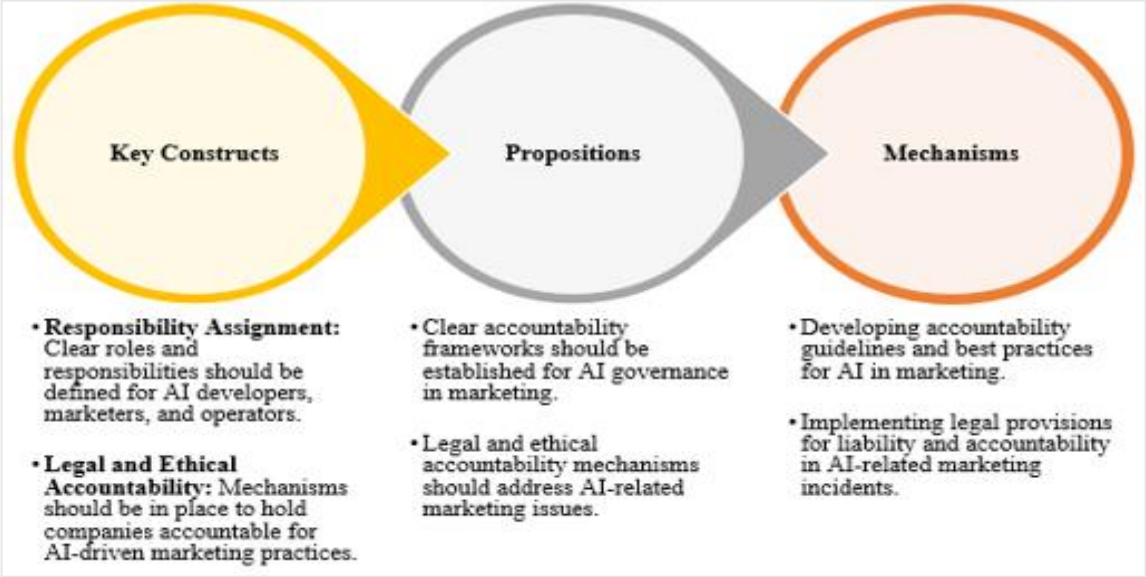

Figure 8: Key drivers of AI Principles for Accountability

AI Policy Harmonization

With multiple AI regulations like the EU AI Act, US Algorithmic AI Act, US AI Risk Management Framework (AI RMF), Chinese & Brazil AI Regulations, Singapore Model governance framework etc., there is a need to harmonize AI policies for a global enterprise to comply to local and region (EU) levels.

Figure 9: Key drivers of AI Policy Harmonization

Key AI Principles Across Regulatory frameworks

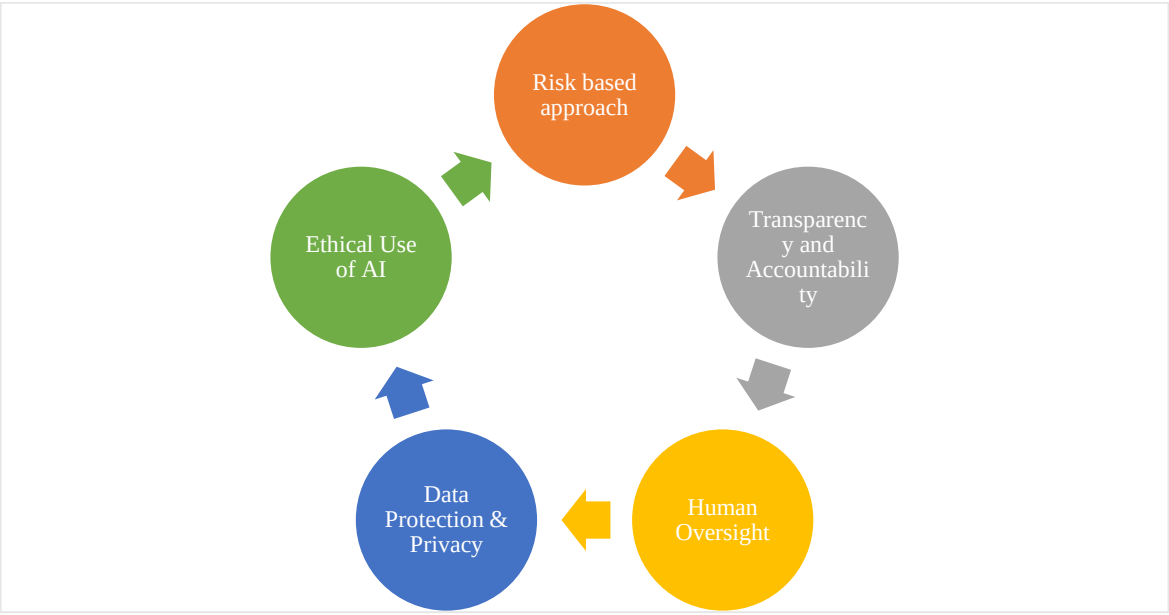

Figure 10: Key AI Principles across Regulatory frameworks

Harmonization Strategy

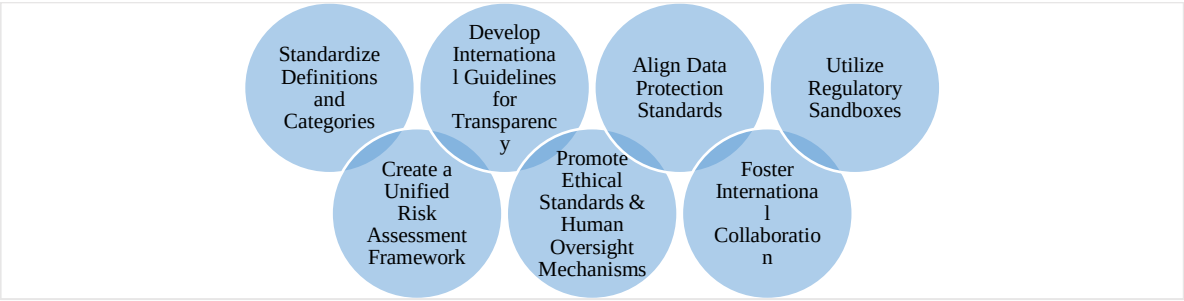

Figure 11: Harmonization Strategy Across Regulatory Frameworks

Business & Marketing Strategy

Classical AI & Gen AI enable to craft marketing strategy are powerful tools for business and marketing benefits. AI practitioners need to align business and marketing strategy with AI & data strategy and enable AI governance considerations. Business strategy need to include organization vision and key objectives and result areas (OKRs) with measurable metrics (KPI's / metrics) to ensure AI system implementation

effectiveness.

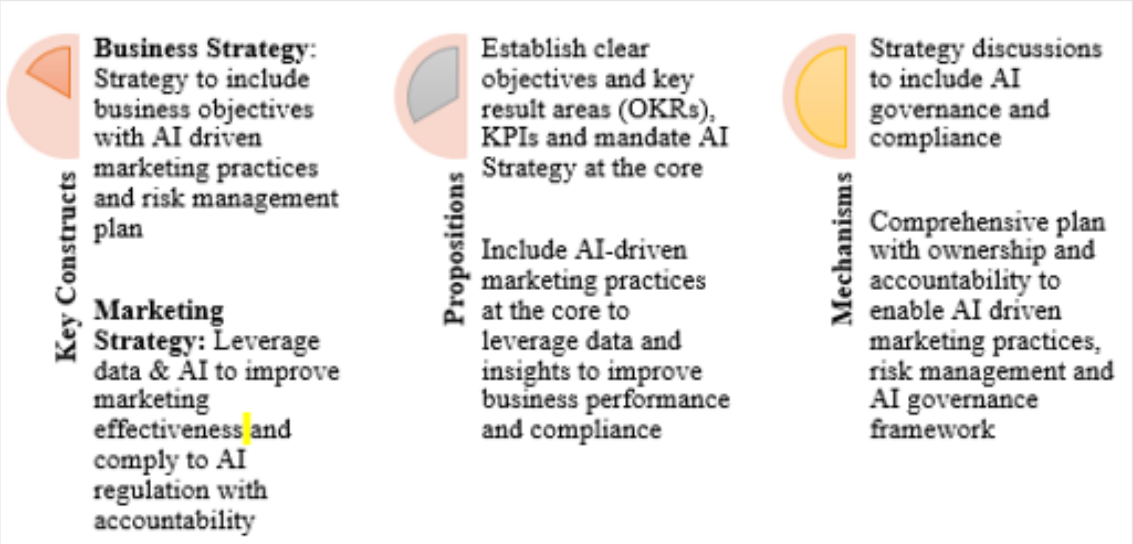

Figure 12: Key drivers for Business and Marketing strategy

Data & AI Strategy

Data Strategy

AI models need large amounts of data for training, and big data, offer the perfect recipe for digital transformation. A solid data foundation is critical for any AI initiatives upon which machine learning and deep learning models depend upon to learn, make predictions, and improve their performance over time (Aldoseri, A. et. al., 2023).

Integrating data from multiple sources can introduce data quality issues are/ is an important aspect of AI applications and pose diverse challenges. Data management is an important aspect of data governance where-in big data needs to be stored appropriately with high quality data for easy retrieval.

Role of data governance for traditional AI models & LLMs:

Data governance plays a vital role in ensuring data quality at each stage of AI

lifecycle with effective processes, policies, standards and technology across the enterprise. With an effective data governance framework enterprise can make better decisions, optimize operations and comply with regulation and create a competitive edge. Data catalog and data lineage are important aspects from data governance perspective and the stored data can be effectively cataloged for search and query (product, customer, etc.,)

Classical AI Use cases of customer segmentation, predictive and prescriptive analytics, K-means, Lead scoring etc., depend on high quality data involving customer demographics, transactions, digital data, website data and browsing data to generate insights and analytics for business value. With LLMs, large data on internet as a source is vital for generating marketing contents, image generation, brand messaging etc., but could pose threat to enterprises in terms of IP infringement and copyright violations, wrong processing and consumption leading to reputational risks and penalties.

Marketing needs to closely work with data & AI practitioners on data privacy and data security implementation related to Personally Identifiable Information (PII), Sensitive data that needs to be encrypted, masked, anonymized, de-identified and classified / tagged as internal, public, private or confidential to reduce the data risks and associated liability for non-compliance risk related to data breaches and data privacy.

AI Strategy

The integration of classical AI & GenAI is vital to power growth strategies in B2C enterprises. Enterprises are also using AI to guide and aid purchase decision throughout the customer journey on digital platforms to grow online business.

The machine learning and deep learning algorithms are widely used to enable

enhance customer experience and nudge customer at every stage of the customer's journey from consideration to purchase decision and beyond. GenAI use cases for creative content generation, image and video creation for brand building and messaging needs careful consideration given the copyright violations and IP infringement laws.

AI Strategy needs to be aligned with business and marketing strategy with right AI Use cases driven approach supported by data strategy to maximize the data driven benefits. In the AI regulation regime, AI Strategy needs to include AI guardrails, risk management to adhere to applicable AI policies for regulation and compliance.

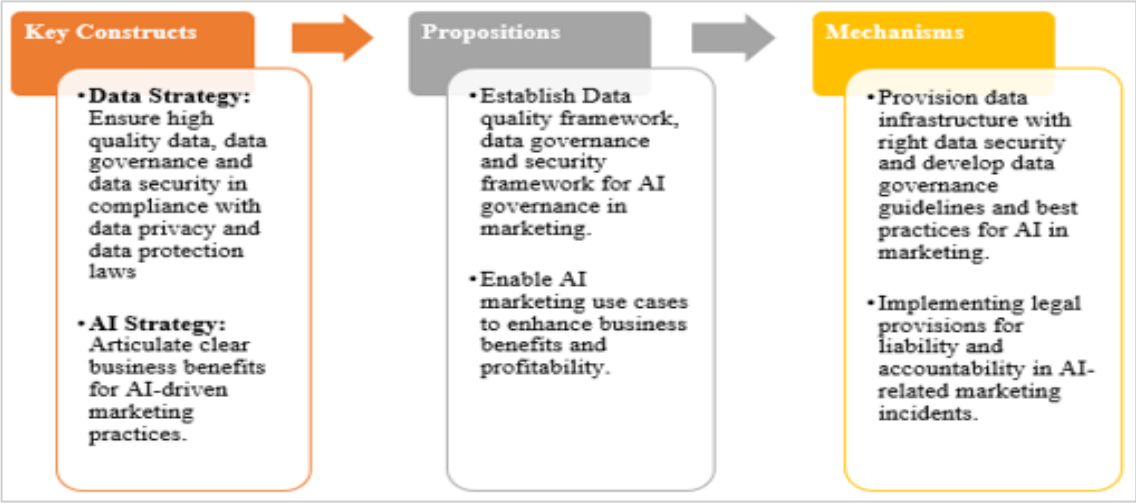

Figure 13: Key drivers of Data & AI Strategy

AI Standards & Documentation

Evolving AI Standards are those necessary or helpful to reduce barriers to the safe testing and deployment of AI to support reliable, robust, and trustworthy systems. The AI Standards need are to be aligned to the SHAID framework (Technical Layer, Business & Social Layer) & Governance Layer.

The AI principles are domain and industry agnostic wherein the specific AI

standards need to be aligned and mapped or created. The ideal way would be to consider a use case driven approach and applicable dimensions of risks and AI principles to map the necessary AI Standards to the SHAID framework (Technical Layer, Business & Social Layer and Governance Layer).

Following broad list of AI Standards drafted by the European Commissions' Joint Research Center (JRC-21) report – "Analysis of the preliminary AI standardization work plan in support of EU AI Act". As per the SHAID framework, the technical layer is common across the risk categories and hence the applicability of the AI standards in building low risk AI system & AI Governance B2C marketing is to be evaluated.

#	AI Standards Category	Controls	Current / Partial Coverage (ISO/IEC)	Recommendations to align to EU AI Act	Implementation Gaps
1	**Risk Management**		23894;	Check List for AI Risk Management (CLAIRM)	Focus on organizational risk and not fundamental risks

2	**Data Governance and Data Quality**		5259-1: Data Governance 5259-2: Data Quality attributes		
3	**Record Keeping** – Logging and Record keeping are partially covered		42001		
4	**Transparency**	System documentation and information for users	42001		
5	**Human Oversight** - transparency, monitorability, explainability/ interpretability, and intervenability/controllability	Document to cover human oversight, organizational and technical measures,	Emerging standard		

		training, and proper design of human-machine interfaces			
6	**Accuracy and Robustness** – The ISO/IEC 24029 series provides a guidance on robustness metrics	Guidance on design methods and practices	24029 Part-1; Supervised & Regression models 24029 Part-2: formal methods with feasible approaches		
7	**Cybersecurity**		27090		
8	**Quality Management Systems** (QMS)		42001		TBT
9	**Conformity Assessment**		42006	17001	

Table 1: AI Standards mapping as per EU Commission's Joint Research Center (Author:

Self)

Data Governance and Data Quality Standards

Data Governance and Data Quality standards are mainly covered through the ISO/IEC5259 series. The ISO/IEC5259-3; Part 3 comprehensively covers the data governance requirements and ISO/IEC5259-2 covers the data quality requirements which include a catalogue of quality attributes relevant to EU AI Act. There are implementation gaps and hence new standards are required depending on the AI Act Risk category.

AI Documentation

AI Governance Templates

Below set of AI governance templates are relevant for an effective AI governance perspective

- AI Governance Structure – Local, Regional & Global Orgs
- New R&R across executive management, marketing and operations
- AI Standards & Processes – Data, Model & Systems and Methodology
- Impact Assessments & Checklists – Self, Algorithmic & Risk Assessments
- AI Use cases and documentation with risk management strategy
- Business & Marketing Strategy & Operations - OKR's – KPIs & Metrics
- Internal Conflict Resolution Committee (ICRC)
- Self-Evaluation (ROI, Attribution, Effectiveness)
- Audit – Self & External, Associations & Partners

AI Governance Tracker Handbook (Source: Unknown/Internet)

Below are few considerations from an AI governance stand point and applicability

is to be evaluated based on internal and external needs:

Sl. No	Category	References
1	**AI Registry**	
2		AI Incident & Risks
		a. AI Risk Repository
		b. AI Incident Database
		c. AI Incidents Monitor
3	**AI Legal Cases**	
		AI Litigation Databases
		Gen AI IP Case Tracker
		AI Copyright lawsuits
4	**AI Law & Policy**	
		Global AI Law & Policy Tracker
		Global AI Regulation Tracker
		US State AI Law Tracker
		National AI Policies
		AI Policy Portal
		African AI Policy Map
		Tech Policy Atlas
		AI and Democratic Values Index
		EU AI Act Newsletter
		AI Standards Hub
		Federal AI Legislation Tracker
		Federal Judge Orders on AI
5	**AI Governance Trends**	Ethical AI Database (eaidb)
		AI Index Report
		State of AI Report
6	**AI Governance Tools**	
		NIST AI RMF Playboo
		Catalogue of AI Tools & Metrics
		AI Assurance Techniques Portfolio

Table 2: AI Governance Tracker – Handbook for reference

Risk Management

Risk management is crucial for AI in B2C marketing as more businesses adopt AI technologies for personalization, enhance customer experience and customer engagement, automate marketing tasks for operational efficiency and predictive analytics.

The basis of the EU AI Act is risk categorization for AI systems design, development and deployment. Though EU AI Act classifies AI risks into unacceptable risk, high-risk, medium-risk, and low-risk, the AI Use cases for B2C marketing are

largely considered low-risk except for the provisions to impact on human well-being, fundamental rights, targeting the vulnerable population affecting mental-health, breach of data privacy and data security.

Below are the key aspects of how risk management applies to AI in marketing:

Risk Type	Risk	Mitigation
Financial	Fraud detection and Prevention	Implement Fraud detection mechanism to protect online transactions to reduce financial loss and maintain customer trust
Financial	Reputational	Ensure Copyright and IP violations are taken care to reduce burden of legality and penalties with AI & GenAI use cases
Data privacy and compliance	Compliance risks for data privacy protection laws	Establish a robust risk management framework to ensure compliance with data privacy regulations (GDPR, CCPA, PDPC, DPA etc.,) to protect sensitive information (PII, SPI) and avoid legal disputes and penalties. Ensure regular audits, data encryption, data security best practices and consent management.
Bias and fairness	AI algorithms trained on biased datasets can lead to	Ensuring continuous monitoring and training of models on diverse datasets to detect and mitigate bias to ensure marketing efforts are

	biased outcomes and could potentially discriminate a segment of customers for marketing consideration.	equitable and inclusive.
Cybersecurity	Cybersecurity risks due to data leakage or data breach of sensitive customer data leading to penalties and reputational risks.	Enterprises to ensure Cybersecurity measures and include threat detection systems and incident response plans to protect AI systems
Model validation and Performance monitoring	Model accuracy and reliability risks	Regular performance monitoring, model validation, monitoring of AI models for data drift and model drift to ensure model performance consistency for marketing effectiveness and reliability
Ethical considerations	Ethical	Ensure Ethical guidelines are established to address consumer trust issues due to AI in marketing and reduce risk of penalties and

		reputational risk
Customer Experience Management	Customer dissatisfaction / redressal	Mechanism to gather customer feedback, sentiment analysis to ensure faster response time and redressal mechanism to resolve issues
Customer satisfaction	Churn	Enhance customer experience with AI Chatbots for instant support and recommendations for customer satisfaction and loyalty
Operational	Campaign effectiveness	Enable predictive analytics and real-time monitoring of campaigns and assess risks for underperformance and adjust marketing strategy and resource allocation to maximize Campaign ROI

Table 3: Risk Management framework

Implementing effective risk management strategies for AI in B2C marketing is essential for navigating the complexities of data privacy, bias, cybersecurity, and ethical considerations. By proactively addressing risks, companies can leverage AI technologies to enhance marketing efforts while safeguarding reputation and customer trust.

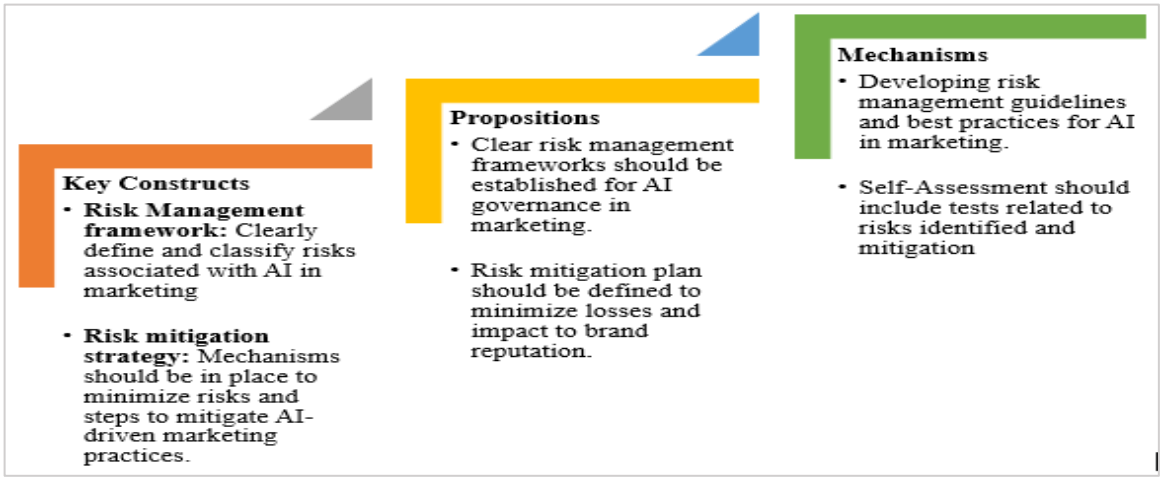

Figure 14: Key drivers of Risk Management in AI Governance

AI Literacy & Training for Capacity Building

With clear benefits in AI in marketing organizations need to budget and plan for implementation. AI system build needs diverse skillsets and finding the right talent is a challenge. Enterprises need to plan for inhouse skills or outsource to the right partner.

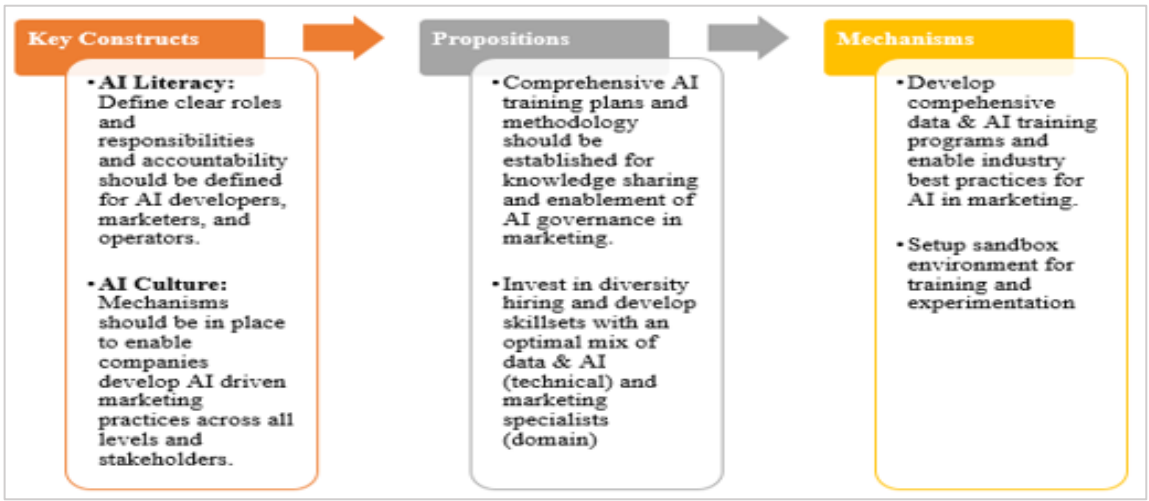

Figure 15: Key drivers of AI Literacy for Capacity Building in AI Governance

Organizations need to develop a comprehensive AI training methodology aligned AI & Business Strategy with the following key components

Assessment of current skills

Skills Inventory

Gather a detailed inventory of current employee skills related to data & AI and identify the gaps that need to be addressed through the training programs.

AI Readiness Assessment

Evaluate the organization's current capabilities and readiness for AI initiatives, focusing on technology and skills. Devise a plan of action by referring to frameworks like **AI Readiness Index** published by enterprises, academic institutions etc., to gauge the industry demand, budgets, their priorities and business impact. There is heightened interest and pressure to adopt AI for business benefits or lose to competition.

AI Culture & Training Programs

Design and develop training programs to cater to diverse training requirements at all levels of the organizations to build AI culture with foundational training, advance training & leadership training programs to cover data, AI, Customer analytics, Marketing analytics & prevailing data policies and in specific AI governance regulation. AI Training requires diverse skills and need to plan training budgets for data, AI & infrastructure trainings to ensure holistic skills are developed, evaluated and refined.

Sandboxes for AI Training

- Inhouse infrastructure
- Partnership with Cloud & Data platform providers
- Training datasets geared towards AI governance framework

AI Governance / Regulation, Audit & Compliance

With phased enforcement of EU AI Act beginning Aug-2024 and full compliance from August – 2026 enterprises need to start planning & budgeting and get ready with operations for AI regulation & compliance if they are to leverage AI benefits in marketing and take competitive edge.

AI regulation for enterprise with global operations, EU AI Act & Chinese AI Act are the most prominent legislations to abide by for AI in marketing. AI in B2C marketing involves AI technology providers from the likes of Big tech for Cloud data infrastructure, platform and algorithms, social media platforms, Ad platforms, CRM and tools & technologies, in-house marketing division with prioritized AI use cases, external marketing agencies for advertising & content creation. Enterprise needs to ensure AI Risk Management frameworks are in alignment with the local and global markets and comply to data privacy laws of the region.

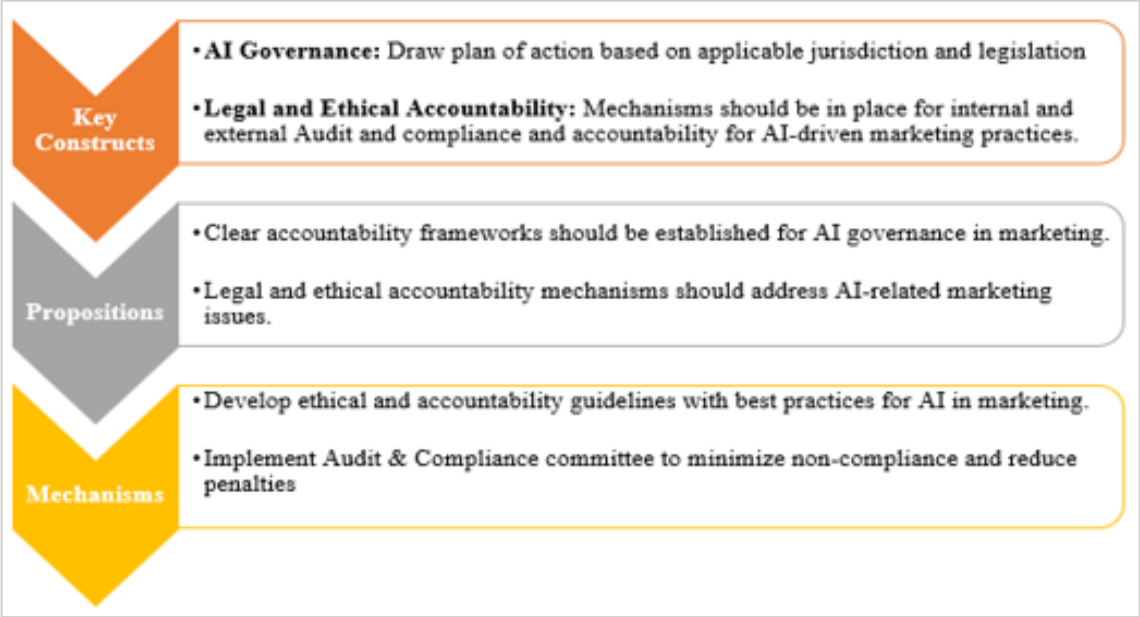

Figure 16: Key drivers for Audit & Compliance with Regulation

Summary

The theoretical framework for AI governance in B2C marketing, guided by the OECD AI Principles, provides a structured approach to managing the ethical, legal, and societal implications of AI-driven marketing strategies. This framework aims to create an effective AI governance model for B2C marketing. Successful implementation will require stakeholder collaboration, corporate governance, AI standards, documentation, capacity and skill building, agile and continuous adoption to the dynamic AI landscape with oversight by an AI Council / Chief AI Officer to harness AI.

Conceptual Framework

To formulate a comprehensive conceptual framework (Figure. 36) for AI governance in B2C marketing, it is essential to identify various types of variables that contribute to the framework's effectiveness.

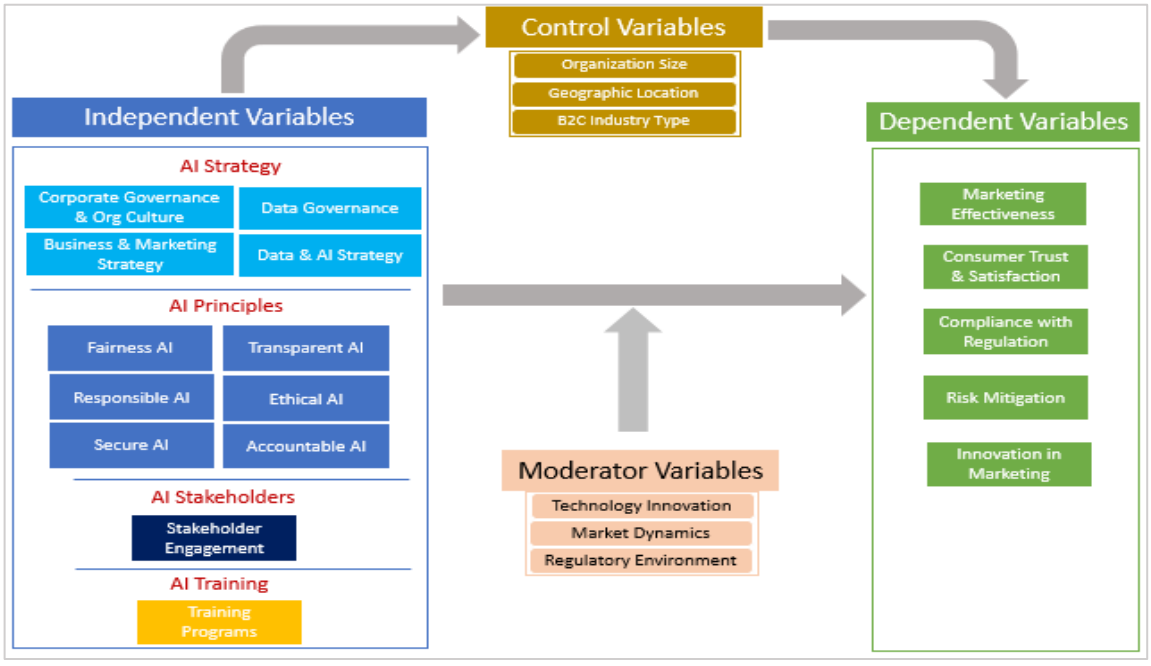

Figure 17: Conceptual Framework for AI Governance in B2C marketing

Below is the list of independent, dependent, moderator, control, and intervening variables relevant to this context:

Independent Variables

Drivers / Strategy

The Strategy comprises of different components which contribute to the success of the AI Governance in B2C marketing. The list of sub-variables is as below:

Corporate Governance	Consider AI initiatives and key AI stakeholders as part of Board room discussions along with Corporate Governance, IT Governance, Business & Marketing stakeholders etc.,
Business & Marketing Strategy	The Objectives and Key business goals for AI
Data & AI Strategy	The specific methods and technologies used to integrate data & AI into marketing practices
Data Governance	Policies regarding data collection, storage, processing and compliance with regulations

Table 4: Independent Variables for AI Governance Framework

AI Principles

✓ Ensure AI in B2C marketing contributes to inclusive growth, addresses disparities, and promotes equality and sustainability.

✓ Establish ethical standards guiding the use of AI in marketing to ensure fairness and transparency

✓ Design and deploy AI marketing systems that respect human rights, autonomy, and

dignity, ensuring fairness and preventing discrimination.

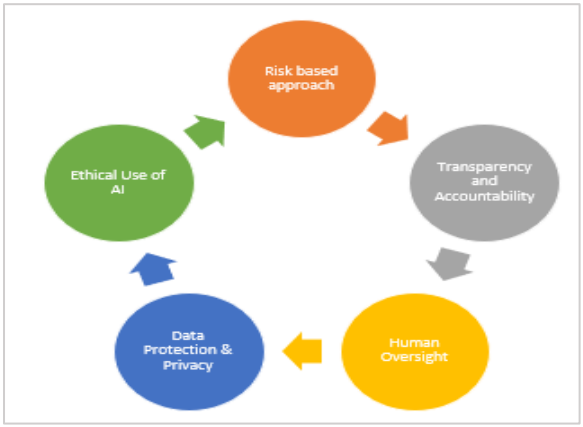

Figure 18: Key AI Principles across Regulatory frameworks

❖ **AI Policy Harmonization**

Promote harmonization of AI governance policies for B2C marketing across jurisdictions/regions/markets to ensure consistency and prevent regulatory fragmentation.

EU AI Act	Implement policies to assess the social impact of AI marketing systems & ensure public good.
US AI Risk Management Framework (AI-RMF)	Require impact assessments to identify potential societal harms and benefits of AI in marketing.
Brazilian AI Regulations	Foster equitable access to AI marketing technologies and their benefits across different consumer segments.
Chinese AI Regulations	Encourage AI marketing deployments that contribute to economic and social progress
Singapore Model Governance Framework	Promote AI applications in marketing that enhance public services and social welfare

Table 5: AI Policy Harmonization Reference

Key Variables – Independent, Dependent, Control, Moderator, Intervening

❖ **Dependent Variables**

Marketing Effectiveness	Measured through metrics such as conversion rates, customer engagement levels, and return on investment (ROI) from marketing campaigns
Customer Trust & Satisfaction	Assessed through customer feedback, surveys, and retention rates reflecting the impact of ethical AI use on consumer perceptions
Audit, Compliance with Regulations	Evaluated based on adherence to legal standards governing data privacy and ethical marketing practices.
Risk Mitigation	The effectiveness of risk management strategies in minimizing potential adverse effects related to AI usage in marketing.
Innovation in Marketing	The degree to which AI facilitates new marketing strategies or enhances existing ones.

Table 6: Dependent Variables for AI Governance Framework

Moderator Variables

Technology Turbulence	The rate of technological change that may affect how organizations implement AI governance strategies
Market Dynamics	Changes in consumer behavior or competitive landscape that can influence the effectiveness of AI-driven marketing strategies
Regulatory	The extent of regulatory scrutiny or changes that can moderate the

Environment	relationship between AI governance practices and marketing outcomes

Table 7: Moderator Variables for AI Governance Framework

Control Variables

Company Size	The size of the organization may impact its resources for implementing AI governance.
Industry Type	Different industries may have varying standards for data privacy and ethical considerations that could affect AI governance
Geographic Location	Regional regulations and cultural attitudes towards technology can influence how AI is governed in marketing

Table 8: Control Variables for AI Governance Framework

Intervening Variables

Employee Training Programs	The effectiveness of training initiatives aimed at educating employees about AI technologies and their implications for marketing practices can mediate the relationship between governance strategies and outcomes.
Customer Feedback Mechanisms	Systems for collecting and analyzing customer feedback can influence how well organizations adapt their AI strategies based on market response.
Technological Infrastructure	The quality and capability of existing technological infrastructure can affect the implementation and success

Table 9**:** Intervening Variables for AI Governance Framework

Specific guidelines for AI Governance in B2C Marketing

1.Inclusive Growth, Sustainable Development, and Well-Being

Objective: Ensure AI in B2C marketing contributes to inclusive growth, addresses disparities, and promotes sustainability.

Key Actions

- Implement policies to assess the social impact of AI marketing systems and ensure they contribute to public good.
- Require impact assessments to identify potential societal harms and benefits of AI in marketing.
- Foster equitable access to AI marketing technologies and their benefits across different consumer segments.
- Promote AI applications in marketing that enhance public services and social welfare.
- Encourage AI marketing deployments that contribute to economic and social progress.

Governance Mechanisms

- Create funding programs for AI marketing projects targeting sustainable goals
- Develop metrics to measure AI's impact on consumer well-being.
- Implement policies to bridge the digital divide and ensure equitable access to AI in marketing.

2.Human-Centered Values and Fairness

Objective: Design and deploy AI marketing systems that respect human rights, autonomy, and dignity, ensuring fairness and preventing discrimination.

Key Actions

- Mandate compliance with fundamental rights and non-discrimination standards for high-risk AI marketing systems.
- Conduct regular audits to detect and mitigate biases in AI marketing systems.
- Ensure AI systems do not perpetuate discrimination and protect vulnerable groups.
- Align AI development with ethical standards that safeguard human rights.

Governance Mechanisms

- Develop ethical guidelines and standards for AI marketing.
- Conduct bias audits and fairness assessments.
- Establish oversight bodies to monitor compliance with human-centered values in AI

3.Transparency and Explainability

Objective: Ensure AI marketing systems are transparent and their decision-making processes are explainable to foster trust and accountability.

Key Actions

- Require transparency and documentation for high-risk AI marketing systems.
- Implement transparency measures for automated decision-making systems
- Mandate clear communication about AI system functionality and decision-making
- Promote transparency in AI marketing algorithms and decision-making processes.
- Provide guidelines for transparency and explainability in AI marketing systems.

Governance Mechanisms

- Implement transparency and explainability standards for AI in marketing.
- Develop tools and frameworks for explainable AI in marketing.

- Educate consumers about AI technologies and their implications in marketing.

4.Robustness, Security, and Safety

Objective: Ensure AI marketing systems are robust, secure, and safe throughout their lifecycle, protecting against adversarial attacks and unintended consequences.

Key Actions

- Set stringent requirements for the safety and robustness of high-risk AI in marketing
- Implement security protocols to protect AI marketing systems from vulnerabilities.
- Establish safety standards for AI marketing development and deployment.
- Ensure AI marketing systems are controllable and secure, aligning with national security policies.
- Emphasize robustness and security in AI marketing systems.

Governance Mechanisms

- Adopt industry standards for AI marketing robustness and security.
- Conduct regular security audits and risk assessments for AI marketing systems.
- Establish incident response frameworks for AI-related issues in marketing.

5.Accountability

Objective: Ensure entities responsible for AI marketing systems can be held accountable for their proper functioning and impacts.

Key Actions

- Define clear accountability and liability frameworks for AI marketing systems.
- Require companies to report on their AI marketing systems' impact and compliance with regulations.

- Implement legal frameworks to hold entities accountable for AI-related harms
- Establish mechanisms to ensure accountability in development and use.
- Provide clear guidelines for accountability in AI marketing deployment.

Governance Mechanisms

- Develop accountability guidelines and best practices for AI marketing.
- Implement legal provisions for liability and accountability in AI marketing.
- Create oversight bodies to enforce accountability measures in AI marketing.

Stakeholder Engagement

To effectively implement this conceptual framework, a multi-stakeholder approach is essential. Engage with governments, industry leaders, academia, and civil society to co-create and continuously refine AI governance policies for B2C marketing.

Capacity Building

Invest in education and training programs to enhance understanding of AI governance principles among marketers, developers, and consumers.

Continuous Monitoring and Evaluation

Establish mechanisms for continuous monitoring, evaluation, and adoption of AI governance for B2C marketing to respond to emerging challenges and opportunities.

Summary

This conceptual framework for AI governance in B2C marketing integrates the OECD AI principles with current major regulations like the EU AI Act, US AI RMF & US – AAA (Algorithmic Accountability Act), Brazilian AI Regulations, Chinese AI Regulations, and Singapore AI model governance framework. It provides a

comprehensive approach to managing the ethical, legal, and societal implications of ai-driven marketing strategies by focusing on OECD AI principles.

2.2 Theory of Reasoned Action

The literature review explores contributions to draw theories, themes, frameworks and references to establish the links between AI principles, theory and practices to support the research topic. Reviewed and considered complexity of AI systems, challenges in multi-stakeholder engagement, current organization structure, roles and responsibilities, AI lifecycle, AI use cases and benefits, current policies and legislation, proposed AI Governance frameworks, Bills & Acts, AI risk management, AI standards and impact on society in general and specific to B2C marketing were analyzed to understand AI from both harmful & non-harmful purposes.

According to Haydn Belfield, (2023), “there are four stages to AI regulation: setting direction (whitepaper), binding requirements (proposal), technical standards (standards) and enforcement (legislation)”. The existing models are weak with gaps and hence a new approach to define AI governance, is to be considered (Sthal et al. 2021).

AI principles form the main theme and backbone for AI governance framework and the OECD AI Principles provide a foundation for fostering trustworthy AI, focusing on ensuring that AI technologies are developed and used responsibly.

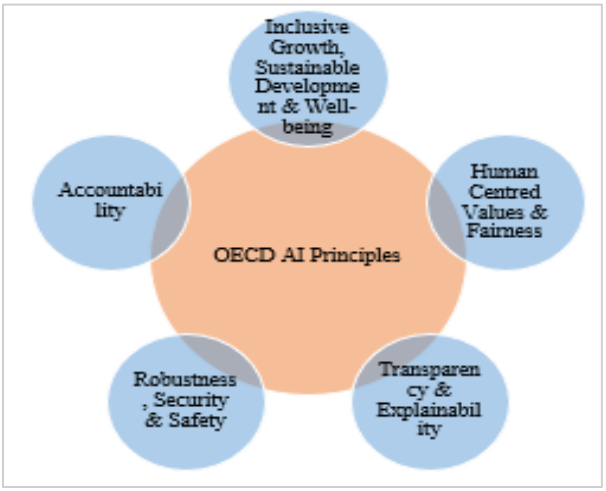

Figure 19: OECD AI Principles

Deriving from the OECD AI Principles, below picture depicts the key dimensions (fairness, transparency, responsible, accountable, secure and ethical) representing the AI principles from B2C marketing perspective for a Trustworthy AI system:

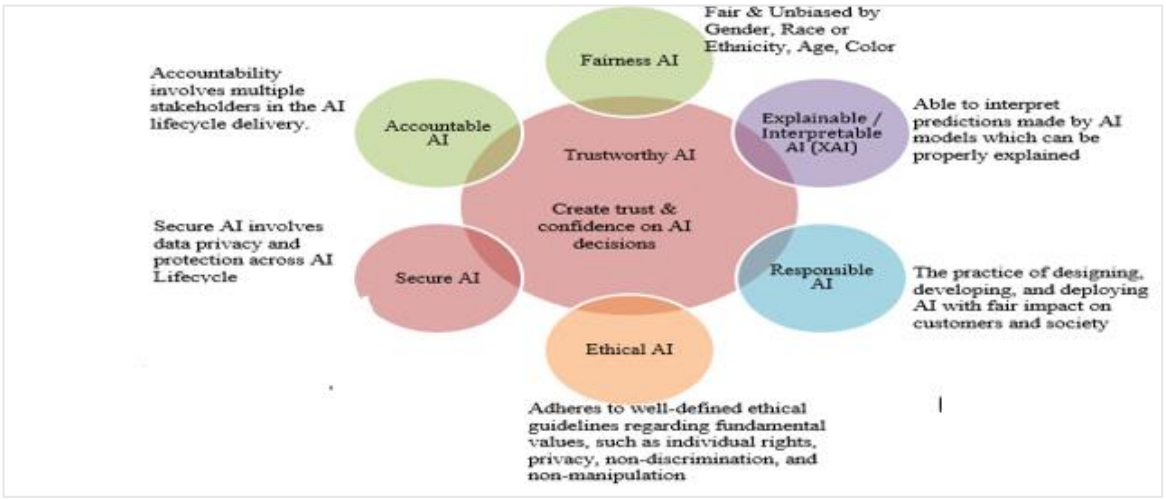

Figure 20: Key dimensions of AI Principles for B2C Marketing (Source: Own / Author)

Mapping the OECD AI Principles to B2C marketing AI principles

OECD AI Principles	B2C Marketing AI Principles
Inclusive growth, sustainable	Responsible AI, Ethical AI & Trustworthy AI

development and well being	
Human Centered values and fairness	Fairness AI
Transparency and explainability	Explainable AI / Transparency AI
Robustness, security and safety	Secure AI
Accountability	Accountable AI

Table 10: Mapping OECD AI Principles to B2C Marketing AI Principles (Source: Own / Author)

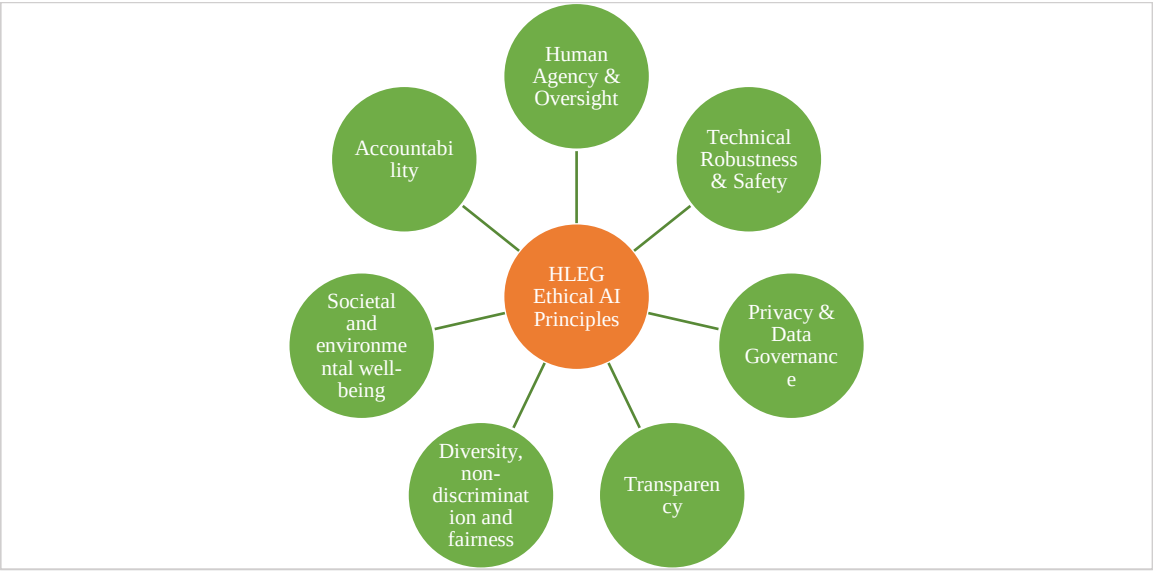

Figure 21: EU AI – HLEG AI Principles (Source: Own / Author)

European Commission's - AI Ethics Guidelines for Trustworthy AI, 2019

As per European Commission's – AI Ethics Guidelines for Trustworthy AI, 2019, put forth by the High-Level Experts Group (HLEG), "AI systems should respect all applicable laws and regulations." Trustworthy AI need to adhere to three components across AI life cycle: it should be lawful, ethical and robust.

Mapping the AI HLEG Ethical AI Principles to B2C marketing AI principles

HLEG Ethical AI Principles	B2C Marketing AI Principles	EU AI Ethics Guidelines
Human agency and oversight	Responsible AI, Ethical AI, Fairness AI, Trustworthy AI	"Should enable equitable societies by supporting human agency, fundamental rights, and not limit or misguide human autonomy"
Technical Robustness and safety	Secure AI	"Requires algorithms to be secure, reliable and robust enough to deal with errors or inconsistencies during AI life cycle"
Privacy and data governance	Secure AI	"Citizens should have full control over their own data without concern to harm or discriminate"
Transparency	Explainable AI	The traceability of AI systems is ensured
Diversity, non-discrimination and fairness	Fairness AI	Should consider the whole range of human abilities, skills, needs and ensure accessibility
Societal and environmental well-being	Fairness AI, Ethical AI, Trustworthy AI	Should enhance positive social change, sustainability and ecological responsibility

Accountability	Accountable AI	Mechanisms should be put in place to ensure accountability for AI outcomes

Table 11: Mapping the AI HLEG Ethical AI Principles to B2C marketing AI principles (Source: Own / Author)

2.2.1 AI Governance Themes

Following are the AI Governance themes after analyzing the current literature:

Theme 1: Multi-stakeholder approach involving governments, academia & expert groups

Theme 2: Top down or Corporate governance approach with AI as part of management

Theme 3: Ethical, Legal & Social approach with focus on human well-being and safety

Theme 4: Al governance aligned to GDPR

Theme 5: Bottom up approach considering algorithms, data and systems

Theme 6: Hybrid approach

Theme 7: Human Centered Artificial Intelligence (HCAI) & Society in the Loop (SITL) -

Theme 8: Risk based classification approach

Theme 9: Polycentric AI Governance

2.2.2 Theme 1: Multi-stakeholder approach involving governments, academia & expert groups

AI governance is a complex topic involving multiple stakeholders and is multi-dimensional in nature. Since 2016, multiple iterative efforts were held in the past to shape AI governance and define a common set of guiding AI principles with national priorities, executive orders, conferences, meetings at OECD and G20 for inter-governmental collaboration to get consensus and accelerate policy action with contributions from

multiple stakeholders involving governments, academia, society and expert groups constituted by governments.

The second wave began in 2018 with the objective to map diverse AI principles, national strategies to identify commonalities & differences and emphasize international collaboration. The European Commission constituted AI-HLEG proposed guidelines for a responsible AI approach with a) Legal; respecting laws & regulations b) ethical; respecting Ethical principles and values and c) robustness; respecting technical and social environment. The guidelines were appreciated, but termed as weak (Floridi, L, 2019).

The third wave of AI governance since 2019, saw the focus to operationalize AI principles to practice and year 2020 was a significant as OECD AI Policy Observatory was setup and the OECD AI principles were agreed to be adopted by OECD nations. With AI principles, concepts to support fair and responsible AI use, the main challenges to the AI leaders is to responsibly build and deploy AI systems today (Sanford. S. 2021).

According to Georgieva, I. et. al., (2022), we are in a third wave with priority to operationalize AI Principles, which highlights the slow progress in framing AI regulation, even though ethical frameworks were introduced.

Due to abstract nature of AI principles, numerous challenges and gaps exist with multi-stakeholder's approach making it difficult to operationalize and has been the goal of many scholarly debates and articles. According to Mittelstadt. B. (2019), the AI Lifecycle has no clear goals and is yet to mature, unlike medicine & software engineering with fiduciary duties supported by legal, accountability mechanisms and standards.

Another drawback of AI principle approach is that it does not mention corporate

/ enterprise level guidelines. AI developers are constrained by their institutions, enterprises, their success and expectations with profitable outcomes. Therefore, AI principles alone are insufficient for AI governance framework, but require support at corporate level in a private enterprise.

2.2.3 Theme 2: Corporate governance or Top down approach for AI management

Cihon. P. et al. (2021) and Mäntymäki, M. (2022), propose AI governance to be an integral part of Corporate governance and closely associated with AI life cycle. Corporate governance & IT governance must include data & AI governance as these are key drivers AI adoption and risks need to be managed at the highest level in the enterprise (Schneider. J. et. al., 2022). E.g.: Release of Large language model GPT-2 by OpenAI & Microsoft AI ethics committee (AETHER) highlights management oversight in translating AI principles to practice.

The Executive Order on AI by the US President, 2023 mandates to have Chief AI Officer (CAIO) or equivalent in the enterprise in the capacity to be accountable for AI systems within 180 days, with goals to provide oversight, maximize AI benefits, implement data governance and security policies, assess AI & data related risks for fair data usage, monitor for compliance throughout AI Life cycle.

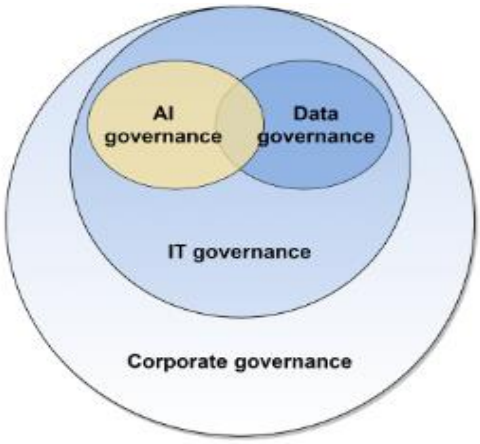

Figure 22: Positioning AI governance in an organization's governance structure (Source: Mäntymäki et al, 2022, Defining organizational AI governance)

A simple mapping table below provides the rationale on why AI governance need to be a management and board room agenda if enterprises are to maximize AI benefits for competitive edge and follow regulation and compliance.

Corporate Governance Function	**IT Governance** Applicable (Y/N)	**AI Governance** Applicable (Y/N)	**Data Governance** Applicable (Y/N)
Management, Board, Supervisory Board and Committees	Y	Y	Y
Values & Ethics	Y	Y	Y
Policies & Regulatory Framework	Y	Y	Y
Monitoring & Internal Controls	Y	Y	Y

Risk & Performance Management	Y	Y	Y
Transparency & Accountability	Y	Y	Y

Table 12: AI Governance to be part of Board room agenda (Sources: Own / Author)

2.2.4 Theme 3: Ethical, Legal & Social approach with focus on human well-being and safety (human in the loop)

Canca. C., (2022) broadly categorized the AI principles as Autonomy, Harm/Benefits, Legal and sub-categorizing further into core and instrumental in 'The Box' as a checklist and was able to identify barriers to operationalization from a plethora of 100+ AI principles. The core principles offer intrinsic values and instrumental principles offer the protectionist values to the core AI principles. The instrumental principles are interchangeable to achieve core principles.

For example, explainability is the algorithmic process leading to the outcome and for any risk-based analysis / outcome is instrumental for human well-being, but for a driverless car safety is of highest importance to safeguard against legal justice by minimizing harm and developers need to focus on rigorous testing for safety and accuracy rather than explainability.

For complex ethical dilemma, there is a need to involve ethical experts (human in the loop). In the B2C marketing context, organization reputation and risks, consumer well-being and fundamental rights are the key considerations from Ethical, Legal & Social aspects with key focus on data security and privacy.

2.2.5 Theme 4: Al governance aligned to GDPR

Kaminski. M.E., (2019), conceptualizes and proposes “binary governance” on the lines of GDPR with a middle-ground / in-between - command & control regulation and self-regulation. The focus is on “1) system of individual dignity and freedom and 2) the system of regulation with collaborative governance model (PPP) to address the three important factors like dignitary (freedom), justificatory (justify, algorithmic decisioning) and instrumental (regulation on bias and to avoid errors)”.

In GDPR, only fully automated decisioning are subject to regulation on hearing and to contest. But AI governance encompasses much larger scope over and above just the GDPR not only data security, data protection and data privacy, but due to the potential harm from AI systems on human psychology, mental health and manipulation of human behavior which can be influenced by B2C marketing efforts.

2.2.6 Theme 5: Bottom up approach considering algorithms, data and systems

In the bottom-up approach, Schneider. J et.al., (2022), proposes to breakdown AI governance into granular components to govern - data, machine learning models, and systems along the dimensions of who, what, and how “is governed”.

This approach when observed from the lens of data, ML model & AI systems have challenges like the AI output is difficult to understand (black box), misunderstood (misclassification), produces unexpected results, lead to biases beyond the control. The approach narrowly focuses on the technical tenets of development and operations with statistical guarantees and business benefits, but misses the big picture of socio-technical and multi stakeholder engagement across the organization in light of AI governance.

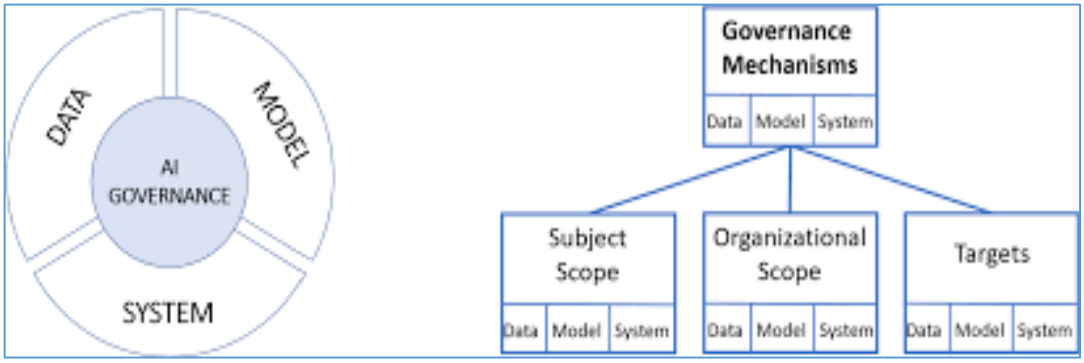

Figure 23: AI governance strategy with data, model and system levels (Source: Schneider, J, et al. 2022, Defining organizational AI governance)

2.2.7 Theme 6: Hybrid model or Top-Down and Bottom-Up Strategy of AI Governance

Typical of every governance program, AI governance needs executive sponsorship and contribution of individual SME's. In the hybrid model, the top-down refers to the executive sponsorship at organization level as mandate, that AI governance program takes precedence with highest priority with alignment of resources at all levels. The bottom-up approach refers to the support from the SME's, individual contributors and programs in the building blocks of AI systems involving data, model and application/ system (Almeida et. al., 2020).

2.2.8 Theme 7: Human Centered Artificial Intelligence (HCAI), Human in the Loop (HITL) and Society in the Loop (SITL)

Shneiderman, B., (2020), proposes Human Centered AI (HCAI), AI governance with 3 goals of reliability, safety and trustworthy AI products and services. The reliability should be backed by sound technical best practices for designers and software engineers throughout the development lifecycle with audit trails, bias testing for fairness and

explainable HCAI user interfaces followed by the team's safety culture from sound management strategies (planning, reviews, internal committees etc.,) trustworthy certification by independent oversight (audits), insurance for failure events, design voluntary standards and practices. I. Rahwan., (2018), proposes algorithmic social contract; a contract between various stakeholders mediated by machines.

Classic examples of Human in the Loop (HITL) are the human assisting in labelling data for machine learning, interactive ML to help ML learn faster by integrating feedback interactively from users based on user behavior. The Society-In-The- Loop (SITL) is a broader aspect of Human-In-The-Loop (HITL), in that societal impact takes precedence and balance stakeholders competing interest in AI governance.

2.2.9 Theme 8: Polycentric AI Governance

Similar to GDPR, a polycentric or decentralized approach like a responsible nodal agency (EDPB) with powers for oversight and enforcement for the smooth operations (regulation and compliance) and cross border dispute resolution of the EU member states, AI Governance too could be modeled with polycentric governance as AI systems are designed and implemented across markets and globally.

2.2.10 Theme 9: Risk based classification

The EU AI Act, 2024 is a comprehensive risk-based legal framework for an effective AI regulation to regulate the design, development, deployment and use of AI for

safe and responsible, respecting the fundamental rights and values.

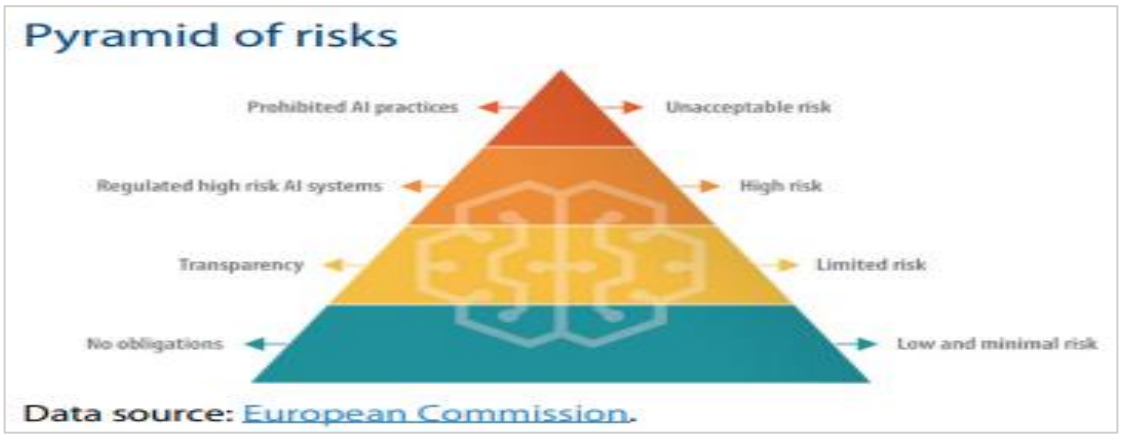

Figure 24: Risk levels classified in the EU AI Act, 2021. (Source: European Commission)

The EU AI Act, 2024, is based on risk classification of the as per the risk levels

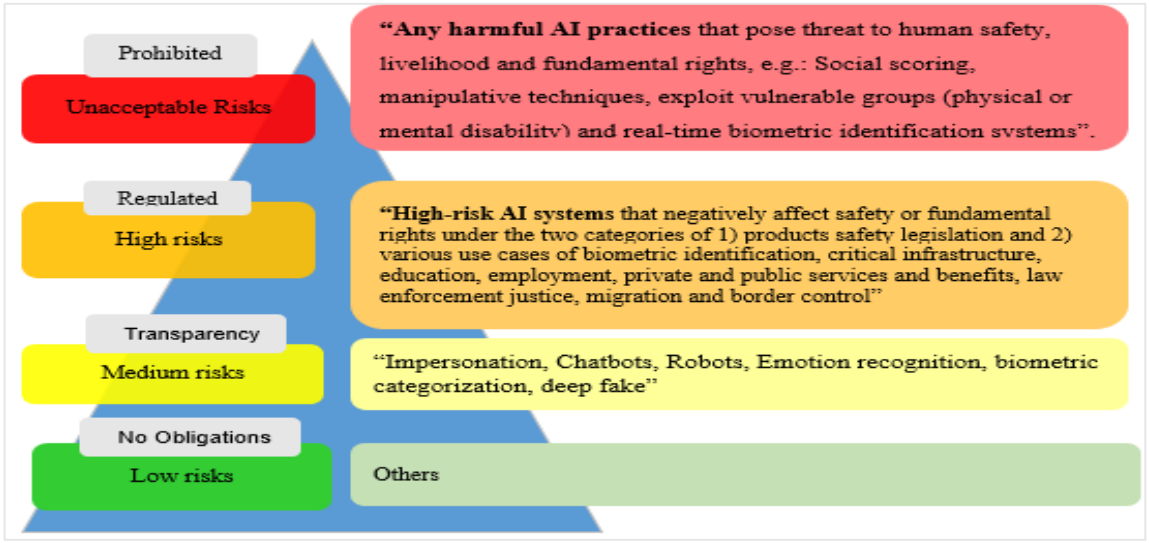

Figure 25: EU AI Act, 2024, details of the Risk categories & key use cases (Author: Own source)

Key Obligations:

As per the EU AI Act, the specific obligations of high-risk AI systems for pre & post offering to the market:

- Registration in an EU database

- Compliance on risk management, testing, robustness, training data, governance, transparency, human oversight, and cybersecurity.
- Non-EU providers to have an authorised EU representative and ensure conformity assessment, establish a post-market monitoring system and redressal

2.2.11 Summary of Proposed Global AI Bills & Acts

The table below lists the proposed bills and acts for legislative actions by various governments around the world to bolster AI governance efforts incrementally:

#	Date / Year	Country / Region	Bills / Act Type	Notes / Key Provisions
1	17-Nov-23	US	Executive Order on AI: Shaping the Future of AI	Safe, Secure and Trustworthy AI development and use
2	27-Jul-23	EU	AI Disclosure Act, 2023 AI Labeling Act, 2023 AI Create Act, 2023	AI generated material generated should include the following disclaimer – "This output has been generated by AI"
3	11-Apr-23	China	Generative AI Regulations	Registration, reviews and compliance needs for Service operators. It requires providers ensure training data and generated output are true and accurate.

4	26-Jan-23	US	AI Risk Management Framework (AI RMF 1.0)	A broad framework for AI Risk Management for individuals, enterprises and society for Trustworthy AI.
5	10-Jan-23	China	Deep Synthesis Provisions	China AI governance requires the contents generated using deep synthesis technologies and services to be labeled due to concern on deep fakes.
6	2022	EU	Data Governance Act (DGA)	DGA In effect
7	16-Nov-22	China	"Shanghai Regulations on Promoting the Development of AI Industry"	Regulations in effect
8	31-Oct-22	US	"Blueprint for an AI Bill of Rights: Making AI Systems work for American people"	A Whitepaper / Framework by US White House for 'Good AI Society'.
9	28-Sep-22	EU	The AI Act liability directives	EU Commission

10	01-Mar-22	China	“Internet Information Service Algorithmic Recommendation Management Provisions”	Provisions in effect
11	25-Sep-21	China	AI Code of Ethics	Published
12	21-Apr-21	EU	EU AI Act	Proposed EU AI Act
13	01-Nov-21	China	Personal Information Protection Law (PIPL)	PIPL in effect
14	10-Jul-21	EU	“Regulating AI to Protect the Consumer”	Proposed Paper on the AI Act
15	14-Sep-20	US	“AI in Government Act”	The bill lists public facing activities and benefits to enhance the productivity and efficiency of federal government operations.
16	03-Dec-20	US	“Executive Order - 13960”	Guidelines for Use of Trustworthy AI in the Federal Government
17	12-Nov-20	US	“Executive Order - 13859”	Maintaining American Leadership in Artificial Intelligence
18	24-Feb-20	US	“Department of Defense’s Ethical Principles for AI”	DOD specific AI principles

19	2019, 2020, 2021, 2023	Brazil	CJSUBIA proposed bills	Bills - nº 5.051/2019, nº 21/2020, nº 872/2021 & nº 2.338/2023
20	22-Nov-23	UK	"AI (Regulation) Bill [HL]; A Bill to make provision for the regulation of AI"	UK AI Act, 2024

Table 13: AI Governance initiatives across globe (Source: Author / Own Source)

#	Date / Year	Country / Region	Bills / Act Type	Notes / Remarks
1	18-May18	EU	GDPR	GDPR in effect
2	01-Nov-22/ 02-May-23	EU	Digital Markets Act (DMA)	DMA in effect
3	16-Nov-22	EU	Digital Services Act (DSA)	DSA in effect

Table 14: Existing Acts & Bills Supporting B2C Marketing Regulation

Conclusion

OECD AI principles have emerged as global standard, and the literature highlights the challenges in operationalizing the AI principles, multiple stakeholder engagement, and their roles in B2C marketing, significant of which are the jurisdiction of AI system, responsibility and accountability.

In summary, AI governance literature in B2C marketing is more on including the

common themes of fairness, explainability, responsibility, accountability, ethics and data security and data privacy for trustworthy AI. Data governance and model governance are key along with existing data protection and data privacy policies since data is at the foundation of AI systems. Chief AI Officer is mandated to be on the board.

2.3 Human Society Theory

The concept of Human Society Theory in the context of AI explores the relationships between AI technologies and social structures, values and behaviors.

Success of Gen AI is fueling the general population and students/children in particular to adopt them in every aspect of learning topics, subjects or languages etc., while there are ethical concerns being raised that AI systems can cause trust issues as they can hallucinate, mislead and provide misinformation in a dynamic way.

Human rights law has raised critical considerations and researchers have proposed layered approaches on AI governance structures with ethical and legal layers (Gasser and Almeida, 2017), at various stakeholder levels ranging from AI developers, practitioners, management to regulation and oversight (Shneiderman, B., 2020), and at the societal level (Stix, C., 2021).

2.4 Summary

AI adoption is shaping social interactions, affecting changes to the social fabric and human behavior, there is an element of risk of being dependent on machines for decision making warrants AI Regulation. The key to successful AI governance is building a trustworthy AI system on the fundamental AI principles to value human well-being, societal benefits & inclusive growth with guidelines for Research, Ethics & Values.

CHAPTER III

METHODOLOGY

3.1 Overview of the Research Problem

AI governance is a contemporary and complex topic in a rapidly evolving AI landscape. The focus of the current regime (EU AI Act, 2024, US AI Risk Management Framework, Chinese & Brazil AI Regulations, Singapore Model Governance etc.,) are risk-based, and the low-risk AI systems similar to B2C marketing are not obligated.

An effective AI governance framework for B2C marketing and involves multi-stakeholders with distributed ownership and responsibility; consensus, decision making, and action all through the AI Lifecycle.

3.2 Operationalization of Theoretical Constructs

This section provides broad guidelines, methodology and stakeholder's roles, responsibilities and accountability in framing the operational framework from the Theoretical and Conceptual constructs for "Crafting an Effective AI Governance framework in B2C marketing for Competitive Edge".

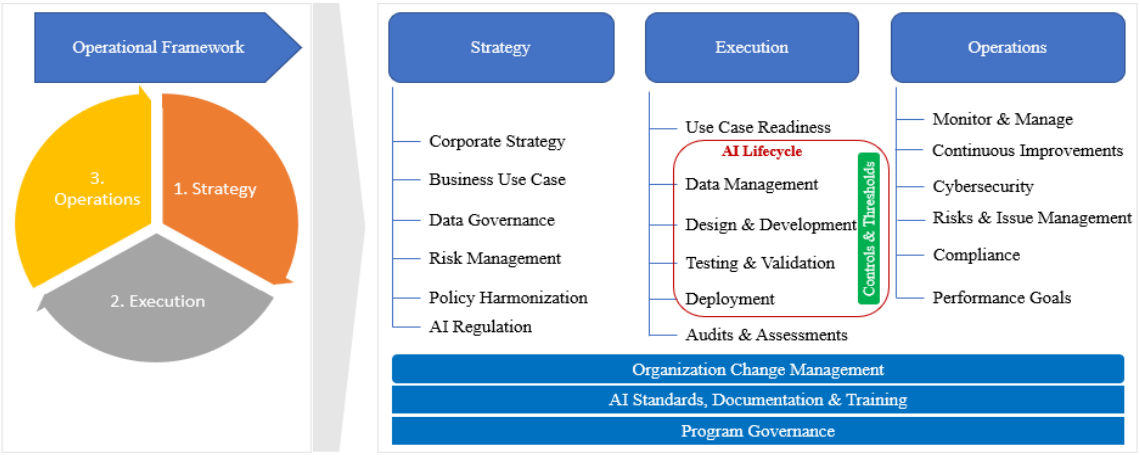

Figure 26: Operational Framework for AI Governance

Strategy

Setting up a right strategy with an AI Council / Steering Committee for executive sponsorship, oversight, with business and marketing stakeholders, DPOs (Data Protection Officers) for policy reviews and championed by a Chief AI Officer.

The AI Governance product owner (AIGPO) / AI Governance Lead (AIGL) is the primary role to integrate data & AI strategy with business strategy; business objectives, risk management, audit & compliance requirements. AIGPO / AIGL is responsible for the oversight of the end to end program from initiation to deployment.

AI governance involves distributed ownership and responsibility all through the AI Lifecycle with multiple stakeholders from business, IT, marketing, legal, audit and compliance, data and AI practitioners, AI Architects, AI engineers, data engineers, ML Engineers, data scientists, DevOps & MLOps engineers.

Figure 27: Corporate Strategy with AI Governance

Key Constructs	• **Governance Structure: Setup AI Council / Steering Committee** for oversight and funding of AI & AI Governance initiatives and to be part of Corporate Governance lead by Chief AI Officer with accountability and responsibility supported by existing Data Protection Officers (DPOs) • **Risk Management:** Marketing initiatives leveraging AI should include risk management plan for AI Regulation & Compliance needs
Proposition	• **Integrated Strategy:** Drive integrated data + AI Strategy + Business / Marketing Strategy • **Measurement Criteria**: OKRs – KPIs/metrics, Risk & Compliance
Mechanism	• **AI Use Case**: Design, Develop and Test by defining thresholds for compliance • **Impact Assessments**: Ensure appropriate assessments including Self-Assessment, Algorithmic assessments etc., for regulation and compliance

Table 15: Key drivers for AI Governance Strategy

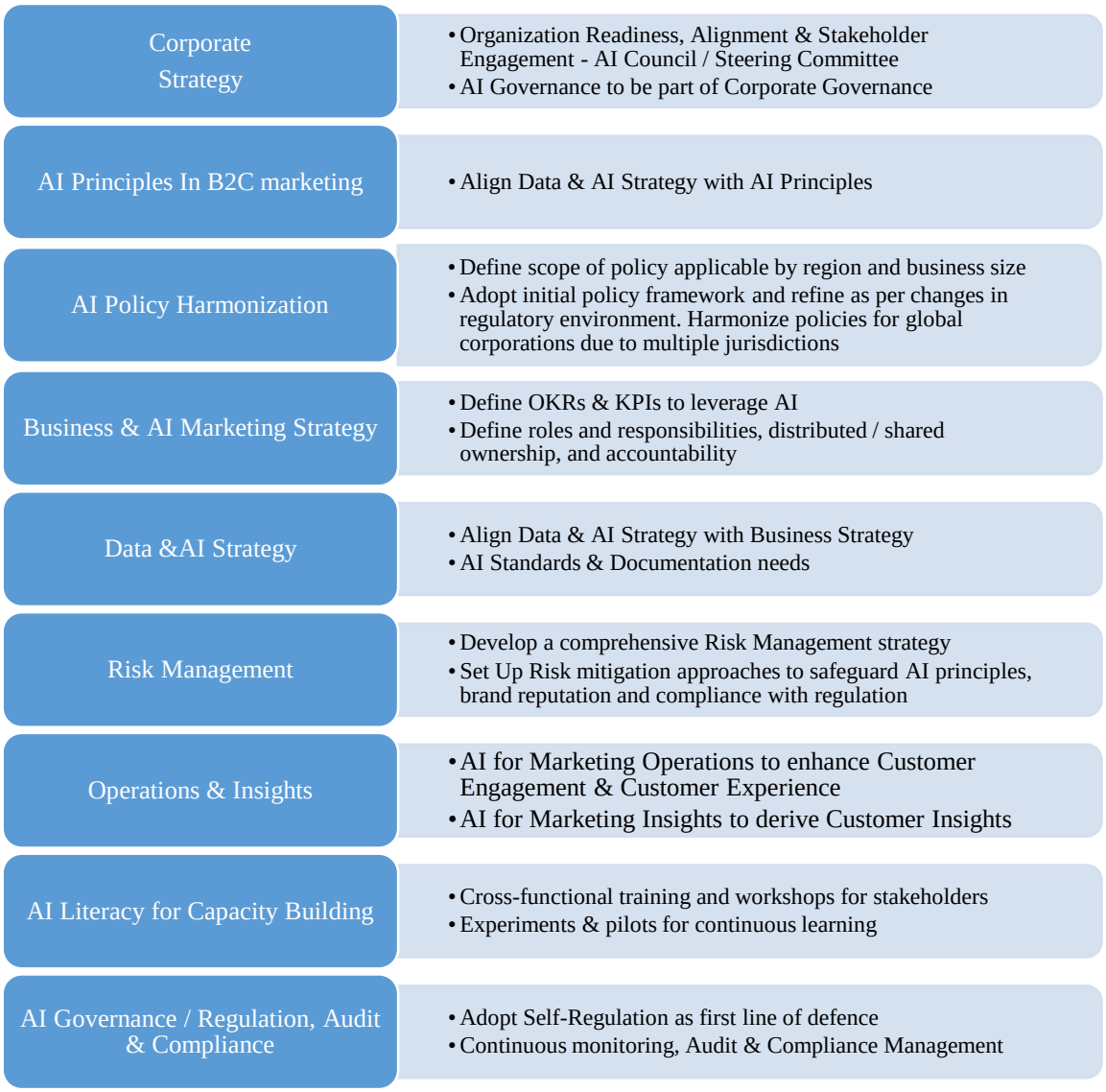

Figure 28: Key dimensions for AI Governance in B2C marketing

Execution Methodology

AI Lifecycle

AI product management is a practice of building AI products, managing, deploying, monitoring and maintaining the key outcomes of the AI models. AI / ML based projects do not follow the typical software development lifecycles (SDLC) due to

the very nature of algorithmic driven solutions where exploratory data analysis (EDA) and experimentation is at the core of AI / ML solutions. Popular agile methodologies like CRISP-DM and Kanban are currently used by organizations to deploy AI/ML based products and services.

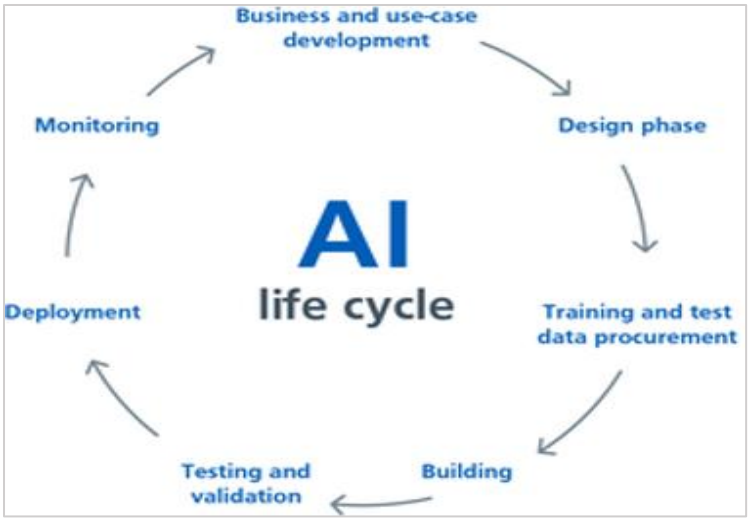

Figure 29: Typical AI Lifecycle

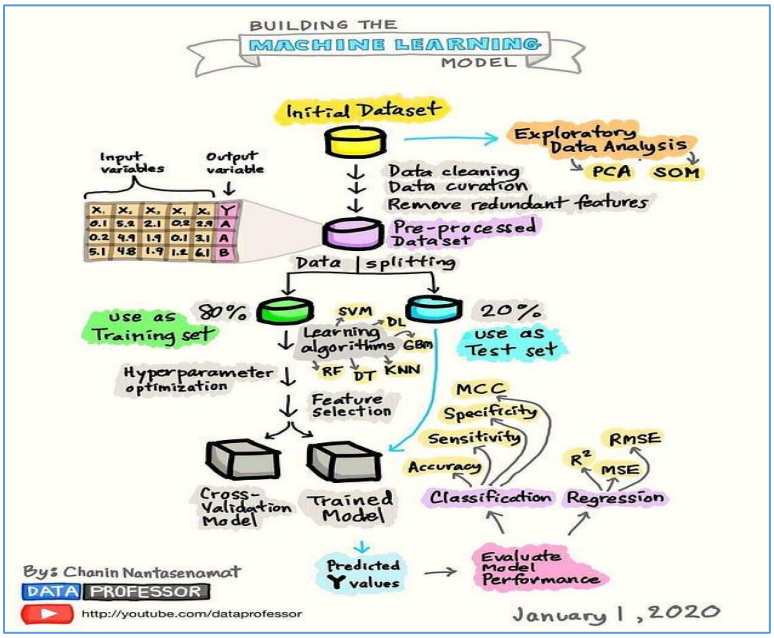

Figure 30: Machine learning model development (Author / Source: Data Professor)

The outcomes of machine learning are consumed in different ways depending on the AI Use Case and UI/UX is one of the key interfaces. For an AI Chatbot development involving LLMs, there is a need for development of a User Interface (UI) for end users to inputs prompts / queries and display outcomes. Since UI/UX development for AI Chatbot follows the typical software development, Kanban methodology with typical sprint cycles can be followed, as there is a need to intergrate both the outcomes for AI Chatbot product delivery, and the design and development of algorithms to meet the objectives considering the SHAID framework. The dual methodology approach allows the development in parallel and the AI product manager /owner need to integrate both plan and outcomes during the AI Lifecycle.

AI Governance Methodology

Typical to adoption of any new processes, integrating regulatory requirements into agile development processes bring in new challenges due to increased complexity, higher costs, longer AI Lifecycles to meet compliance requirements. While AI Governance infuses additional rigour and checks in each of the AI Lifecycle phases, AI developers need to follow extended phases as additional steps involving AI ecosystem stakeholders to ensure adherence to AI principles, Impact assessments, model tuning, measurement and calibration of model performance metrics with defined thresholds, incorporate emerging AI standards, documentation, DevOps & MLOps strategies, manage risks, align to audit, regulatory and compliance needs.

SHAID Framework

An agile and collaborative AI Governance methodology throughout the AI Lifecycle is recommended for the AI system design and development. SHAID framework is an alternative methodology for AI Governance implementation in B2C marketing, focused on keeping the interests of stakeholders at the core throughout AI lifecycle.

The SHAID framework, can be applied for complex and highly sensitive B2C marketing AI Use Cases like personalization and recommendations, to ensure AI regulation at all levels. Through the lens of an AI governance structure, SHAID framework (extension to Gasser and Almedia, 2017), is stratified into the three layers:

- **L1:** Technical Layer (data, algorithm and architecure)
- **L2:** Social + Business Layer (balance potential impact of AI Use Case in the social environment and business objectives) and
- **L3:** Governance Layer (AI Regulation, Audit and legislation)

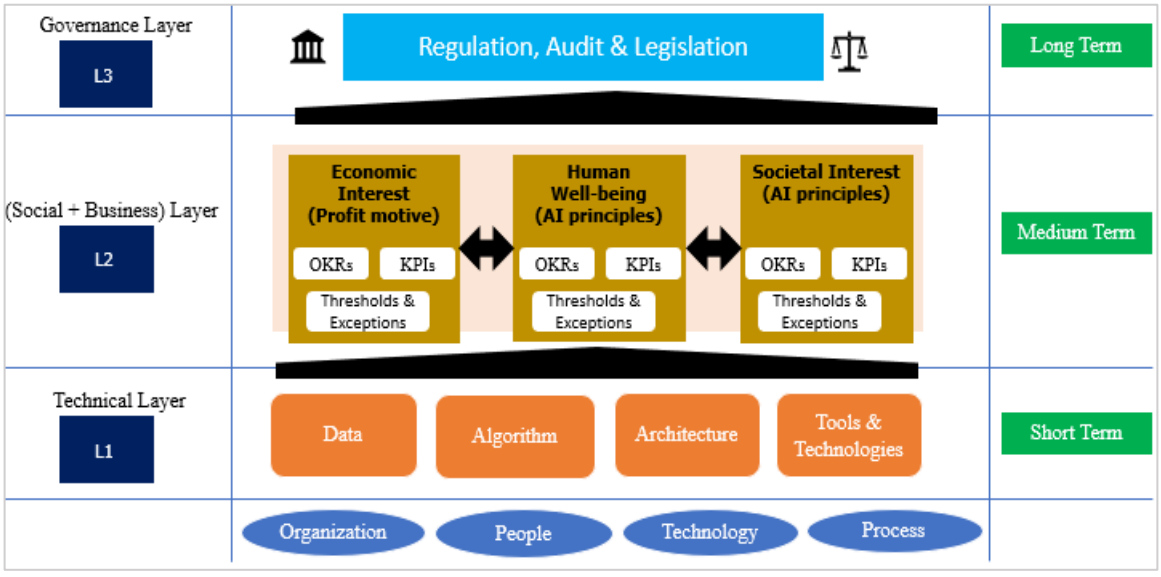

Figure 31: SHAID Framework for AI Governance Implementation

Technical Layer (L1)

The key to establishing the policies, standards and best practices across AI systems is to assess layer wise (SHAID framework), starting with the technical layer the core components of data, machine learning algorithms, code, tools and technologies involved in implementation. Each of the AI system components, tools and technologies need to be assessed, designed, built, validated, deployed, managed and monitored for its usage across the AI lifecycle.

The technical performance metrics are to be monitored and measured to maximize the outcomes for a cost-effective solution. While training AI models is expensive, enough consideration need to be given for the utilization of the AI infrastructure to keep the costs minimum.

The L1 layer involves data, model, architecture and AI system tools & technologies. Each of the components need to be evaluated against the suitability and applicability in their application of an AI Use case in B2C marketing.

The datasets need to undergo sanity checks for data cleansing and data quality checks and bias audits, to ensure data is balanced, treated for bias, outliers and anomaly for its fair use. The appropriate machine learning model needs to be used as per the AI use case with the objective of obtaining explainability and transparency of the results to enable to understand the influencer variable for the model outcomes and for candidate models that can provide the desired accuracy and model performance metrics. The accountability needs to be assigned as per the agreed Level-1, Level-2 and Level-3 RACI matrix.

Business & Social Layer (L2)

The more prominent layer from a business and social environment perspective, the L2 layer needs different skills and methods to evaluate and comprehend the data and model outputs. While there is a need to maximize the business-outcome aligned to the OKR's, KPI's & metrics from an AI Use case perspective, there is a need to balance the output to protect from harmful outcomes. E.g.: hyper-personalization with target audience keeping data sensitivities and adhering to the data consent norms and not breaching it. While GDPR provide consumer protection, there is an extended set of checks to be performed in an AI enabled regime, to ensure targeted messages are free from bias, can be measured for transparency and does not cause any consumer harm of exploitation and manipulation. Candidate datasets, model selection and applicable data privacy and policies play a vital role along the AI Use case.

To achieve a balance, the threshold-based method is to be devised or adopted which can help balance outcomes with safety and meet business objectives. This will be an iterative approach and any business guidelines and inputs from AI Council / AI governance committee need to be considered to proceed. The accountability needs to be assigned as per the agreed Level-1, Level-2 and Level-3 RACI matrix.

Governance Layer (L3)

The L3 layer ensures that AI is trustworthy and provides checks, audits and balances the AI use case outcomes to implement AI systems and comply to AI regulation. If the case of any event, the L3 layer will have the ability to audit AI system outputs and conduct data, bias, safety and reliability audits to ensure that AI systems behave in a

consistent manner within the set thresholds to balance business-outcomes with the AI regulation requirements for compliance.

The L3 layer is also responsible to ensure all relevant documentation related to data profiling, model versions and test results are stored in repository for an agreed period to ensure audit and investigation in case of an incident. A redressal mechanism set-up, L3 shall provide oversight on end consumer channels to ensure smooth operations. The accountability needs to be assigned as per the agreed at L1, L2 & L3 levels as per RACI.

Operationalizing the AI Principles for B2C marketing

The Fairness AI

Fairness in AI refers to decisions made based on certain sensitive variables / features like Gender, Ethnicity, Race, Color, Religion, Sexual Orientation, Disability. Fairness in AI / ML refers to iterative methods to mitigate algorithmic bias in machine learning models for automated decision making.

AI is inherently not biased, but inherit biases from humans and beliefs built in to the systems and process generating the data. The algorithm could be biased (e.g., it assumes certain behavior based only on race or gender). Bias could affect consumer perception, consideration, awareness and might even affect them socially/economically.

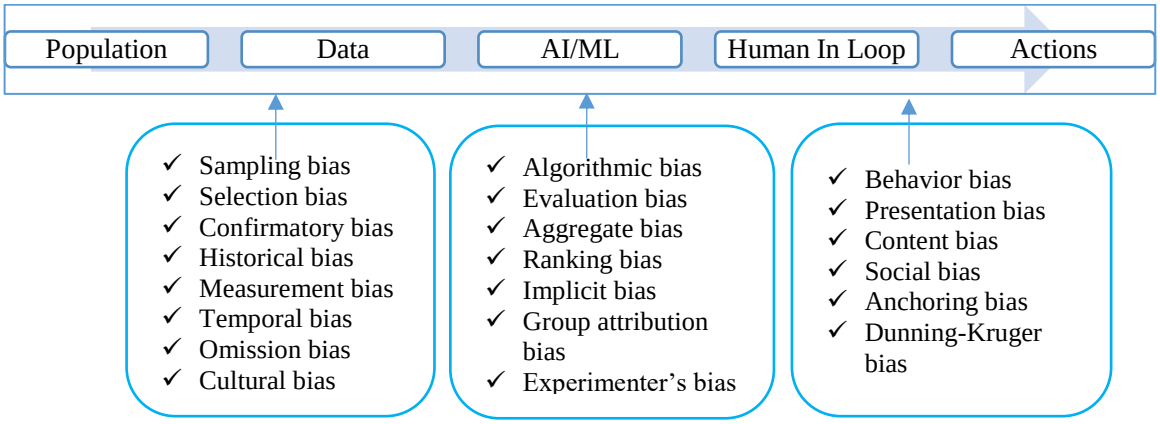

Figure 32: Bias mitigation in Fairness AI

How to mitigate and minimize bias?

By mitigating bias in AI, business leaders can unlock value responsibly and equitably. Fairness can be applied to machine learning algorithms in three different stages: data preparation, pre-processing, optimization during training, or post-processing results of the algorithm. The SHAID framework need to be applied to Fairness AI.

Fairness AI Tools and usage

Few of the fairness AI tools that help mitigate bias and include fairness metrics for datasets and models

- ✓ Fairness AI 360 Toolkit – IBM, What-If Tool – Google, fairlean.py – Microsoft, Fairness Flow – Facebook, Amazon SageMaker Clarify, The TensorFlow Privacy library, The Accenture AI Fairness Toolkit and
- ✓ The Equity Evaluation Corpus - a database to check bias in automated systems.

Sample B2C Marketing Use Cases

- AI system predicts which products are advertised to which consumers
- Highly personalized digital advertisements
- Deliver personalized brand news to consumers on social media sites

The Explainable AI (XAI) / Interpretable AI

AI algorithms are black boxes, difficult to attribute features to outcomes and testing for bias in AI applications is important, Villasenor John. (2019).

- Explainable AI or Interpretable AI are set of tools and frameworks that explain the model behavior in machine learning algorithms, and what were the significant

contributing features and feature attributions in the outcome.

- XAI is applicable for all kinds of predictions – classification, regression, deep learning like computer vision and other black box models.
- Apply SHAID framework for Explainable AI (XAI) / Interpretable AI outcomes

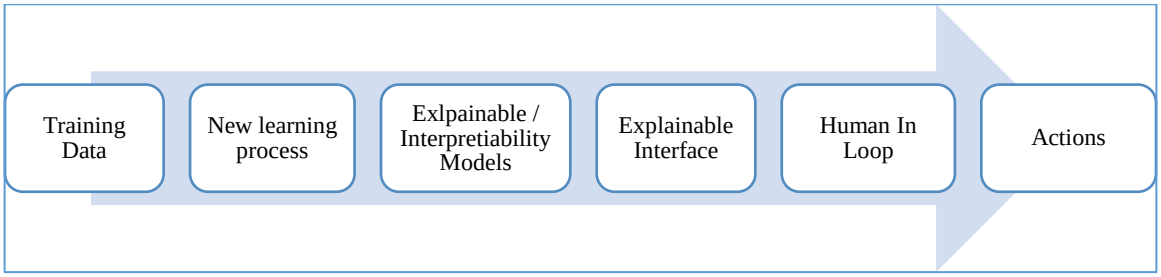

Figure 33: Explainable AI / Interpretable AI in AI Governance

Today's AI & Algorithms

- Most of the algorithms are black boxes; Interpretability/Explainability is a question

Advantages of Explainable / Interpretable AI (XAI / IAI)

- XAI / IAI brings in required transparency in the algorithmic decisioning and explains model behavior to stakeholders
- The most significant features can be tuned to optimize output
- Debug model, attributed features to outcomes & data issues
- Apply the SHAID framework to Explainable AI/Interpretable AI outcomes.

XAI Tools and usage

XAI tools should be used by AI system stakeholders to leverage XAI techniques during the design and development, validate it for transparency based on the marketing use case and bring consumer confidence and trust in AI systems.

- LIME (Local Interpretable Model-agnostic Explanations)

- SHAP (SHapley Additive exPlanations)
- Google Vertex AI (Google – AI Explanations Whitepaper)
- Google Model Card Toolkit is a set of tools for model transparency

Sample B2C Marketing Use Cases

- Sales forcasting, Multi-touch Attribution (MTA)
- Customer Segmentation, Search Engine Optimization (SEO)
- Content Generation, Keyword Search, Search Summarization etc.,

The Responsible AI

Responsible AI is the practice of designing, developing, testing and deploying of AI systems that are safe and beneficial for the society. Big Tech from the likes of Apple, Amazon, Meta, Google, Microsoft, IBM etc., have their own AI Standards & AI guidelines for the AI systems and stand to have and edge.

Objectives of Responsible AI is to

- Design for humans by using a diverse set of users and AI use cases
- Incorporate feedback from users throughout the development process
- Use multiple metrics to assess training and monitoring
- Analyze and probing raw data for mistakes, training skews, and redundancies
- Understand the limitations of the model and communicating these to users
- Continually test the model against the SHAID framework
- Self-regulation of AI systems with organizations own AI Standards and guidelines

Today's AI & Algorithms

- Apply SHAID framework for Resposible AI

Responsible AI (RAI) Tools & usage

- Validated outcomes aligned to stakeholder needs at all levels to meet objective

Challenges of Responsible AI

- Many SME organizations do not have the necessary resources and skills required for designing and implementing the AI systems.
- Lack data & systems to support AI in B2C marketing
- Budget constraints given the high expecations on ROI

RAI Tools

Numerous Responsible AI toolkits are available to support the development of responsible AI implementation. Responsible AI toolkits are designed to make AI systems fair, robust, and transparent. Some of these are available on GitHub repository are

- Microsoft Responsible AI toolkit, InterpretML, IBM AIF360
- TensorFlow Toolkit (TensorFlow Model Remediation, TensorFlow privacy)
- Model Card Toolkit (MCT), TextAttack (Python for NLP), Fawkes, Fairlearn
- XAI and many more.

Sample B2C Marketing Use Cases

- Predictive analytics

AI can analyze data from various sources to predict customer behavior and identify growth opportunities.

- Personalized content

AI can use intent data from site visits and searches to automatically deliver relevant, personalized content and offers for each journey stage

The Ethical AI

AI ethics is a set of guidelines that advise on the design and outcomes of artificial intelligence. The European Commission, through a group of experts, has drawn up the Ethics Guidelines for a Trustworthy AI, based on a very comprehensive structure and divided into three tiers:

- The highest tier with four ethical principles on fundamental human rights.
- The second tier with seven key requirements for an AI system throughout its lifecycle.
- The third/base tier, a list of recommendations to operationale first tier

Ethical AI Tools & usage

- Develop clear ethical guidelines for the development and use of AI
- Involve diverse stakeholders in the development and deployment of AI systems
- Conduct impact assessments to identify and mitigate potential risks
- Document risks, apply SHAID framework, ensure validations and outcomes match desired outcomes within the threshold limits for bias, transparency and security

Today's AI & Algorithms

- Outcomes aligned to maximize business benefits
- Outcomes are not goverened due to lack of guidelines

Advantages of Ethical AI

- Outcome delivered by following Ethical guidelines and aligned to regulatory needs

Challenges of Ethical AI

- Frame ethical guidelines and incorporate in organization culture
- Continuous / Periodic training stakeholders to build the ethical AI culture

- Unethical design and development lead to operational &financial risks and impact brand reputation,
- Exposure leading to high risks of non-compliance and penalties

Ethical AI Tools

- Develop organizational Ethical framework / guidelines applicable for B2C marketing

Sample B2C Marketing Use Cases

- Hyper-personalization with consumer data protection and consent to protect and enhance brand reputation

The Secure AI

Broad categories in which security needs to be addressed are as below:

- Data Privacy (GDPR, CCPA, PDPC etc.,), Data Security (Encryption, Classification, Anonymize, De-identify, Access PII/SPI)
- Data Governance (Data Quality, Cybersecurity (Adverserial attacks)
- Model Security (Adverserial attacks, Exploitation of model vulnerabilities etc.,)

Today's AI & Gen AI Algorithms

- Security needs to be applied to inputs, process and outcomes at all layers from data to algorithms to applications and consuming layer and end user persona
- Copyright violations for training data,
- AI Chatbots can hallicinate, misrepresnent and mislead

Advantages of Secure AI

- Robust systems with high security
- Reduce risk of data breaches

Challenges of Secure AI

- Long implementation timelines, secure testing and validation per role requirements
- Risk & Cost implications

Secure AI Tools

- Modern Cloud, Data Platforms, AI / ML Tools and AI applications as per use case
- Native and external algorithms to obscure data, data masking, data encryption, etc
- BI / Data Visualization tool - Dashboards / Report level security, role based security, data level at row level and column level to ensure data is accessible on need basis

The Accountable AI

Accountable AI refers to the ownership from organizations or individuals responsible to design, develop, configure, test and deploy the AI systems to ensure they function as intended throughout the AI lifecycle aligning to the AI principles for AI Trustworthiness and adhere to the regulatory policies and compliance. The Four dimensions for Accountable AI are Governance, Data, Performance & Monitoring.

Key Stakeholders – Roles, Responsibilities & Accountability

The following key stakeholders play a significant role in the contribution of AI system governance in B2C marketing. The AI governance needs close understanding of the AI Lifecycle and AI marketing use cases and hence trained specialists are required to be employed in order to balance risks v/s rewards and comply with regulation.

The roles envisaged are AI governance architect / leads, marketing specialist / business analyst, AI practitioner, AI architect, platform architect, UI/UX architect, data

analyst, data engineer / analytics engineer, data scientist, DevOps engineer, MLOps engineer, AI Risk Consultant (Legal), AI Test/Validation & AI assurance/audit engineer.

Roles and Responsibilities

Roles	Responsibilities
AI Governance - Product Owner / Lead (AIGPO/ AIGL)	Overall Program Governance architect from AI adoption, solutioning with understanding of AI Governance regulation, frameworks, AI use cases, audit and compliance requirements
AI Architect / AI Product Owner (AIPO)	End to end AI Use case design, development and deployment
Marketing specialist / Business Analyst	Align AI use cases to meet business strategy and marketing strategy, business priorities
Social Media Specialist	Generate and manage social media content and message
Data Analyst	Analyze AI use cases and relevant datasets required to meet business requirements
Platform Architect	Setup data infrastructure and security controls
UI/UX Architect	Design UI/UX for marketing contents – website, mobile etc.,
Data Engineer / Analytics Engineer	Establish source data connectivity, build data pipelines, processe, clean, build, test, automate & maintain data flows
Data Modeler	Data model design for storing the data efficiently for AI

	use cases for consumption
ML Engineer	Machine Learning engineer for model development, test and validation os AI use cases
Data Scientist	Predictive analytics for business insights
LLM Architect	Specialist for NLP & LLM use cases
Data Visualization Engineer	Create powerful data visualizations for consumption
DevOps Engineer	Automate data pipelines and monitor data flows and data observability and deployment
MLOps Engineer	Automate model flows, monitor model performance, model obervability and model deployment
AI Risk Consultant (Legal)	Assess end-to-end risks at each stage of AI Lifecycle – AI use case, data, input, process, outcome, thresholds,
AI Test / Validation Engineer	Quality assurance of the AI use cases meeting desired outcomes – business, risk, audit and compliance metrics
AI Assurance / Audit Engineer	Ensure end-to-end audit of inputs, process and outputs at each stage of AI Lifecycle and validations are within agreed thresholds and comply with AI governance framework and regulation requriements
Program Governance	Oversight on entire program governance, stakeholder management, progrm delivery, business use case, quality,

	deliverables, documentation, audit & compliance
DPOs	Existing Data Protection Officers

Table 16: Roles & Responsibilities for AI Governance

Level 1- RACI / Accountability Matrix at Overall Program (Governance Layer)

Activity / Use Case	Executive Team (Business/ Marketing/ Legal)	Product Owner, AI Governance Lead, Data Governance	Technical Team (AI Architect, DE, DS, BA, DevOps, MLE, MLOps & Data Governance	Quality Team	Legal, Audit & Compliance
Program Governance		X			
Strategy & Roadmap	X	X			X
Data Infrastructure		X	X		
Architecture & Design		X	X		
Development & Testing		X	X	X	X
UAT	X			X	X
Deployment		X	X		

Operate & Monitor			X		

Table 17: Level 1- RACI / Accountability Matrix at Overall Program

Level 2- RACI / Accountability Matrix at Use Case level (Business & Social - Layer)

- Use Case - Campaign Planning & Execution

Role	Objectives & KRAs	KPIs & Metrics	Campaign Planning	Campaign Execution	Campaign Evaluation
Project Delivery	X	X	X	X	X
Content Writer	X				
Designer	X	X	X	X	X
Data Analyst	X	X			
Marketing Executive	X	X	X	X	
Marketing Manager	X	X	X	X	X
Marketing Director /VP		X	X		X
Marketing Specialist (Email / Website/ Social Media etc)	X	X	X	X	
Sales Head	X	X			X

Table 18: Level 2- RACI / Accountability Matrix at Use Case level

Level 3: RACI / Accountability Matrix for Technical Layer

Role	Infrastructure	Architecture	Design	Build	Test	Deploy
Data Governance Lead / Architect	X	X		X	X	X
Data Architect / Engineer		X	X	X	X	X
Data Scientist			X	X	X	
ML Architect / Engineer	X	X	X	X		X
UI/UX Architect / Engineer		X	X	X	X	X
BI Architect / Engineer		X	X	X	X	X
DevOps/MLOps Architect/ Engineer		X	X	X	X	X

Table 19: Level 3: RACI / Accountability Matrix for Technical Team

The Trustworthy AI

According to the recent EU Commission guidelines (2021), Trustworthy AI has three components, which should be met throughout the system's entire life cycle:

✓ it should be lawful, complying with all applicable laws and regulations

✓ it should be ethical, ensuring adherence to ethical principles and values and

✓ it should be robust, both from a technical and social perspective

AI systems can cause unintentional harm. Each component in itself is necessary but not sufficient for the achievement of Trustworthy AI. Ideally, all three components work in harmony and overlap in their operation. If, in practice, tensions arise between

these components, society should endeavor to align them. Trustworthy AI is the single most factor for AI adoption. AI systems need to align to AI principles and AI Governance frameworks to ensure trust in AI systems.

AI Policy Harmonization

Harmonizing AI principles across various regulatory frameworks, including the EU AI Act, US AI Risk Management Framework, US Bill of Rights, UK Bill of Rights, Chinese AI Regulation, Brazilian AI Regulation, and Singapore Model Governance Framework, is essential for creating a cohesive approach to AI governance.

Harmonization Strategy

By focusing on AI principles and harmonization strategies, stakeholders can work towards establishing a cohesive framework that addresses the complexities of AI regulation globally while respecting regional differences and priorities. This approach will enhance global / regional compliance, but fosters innovation in a responsible manner.

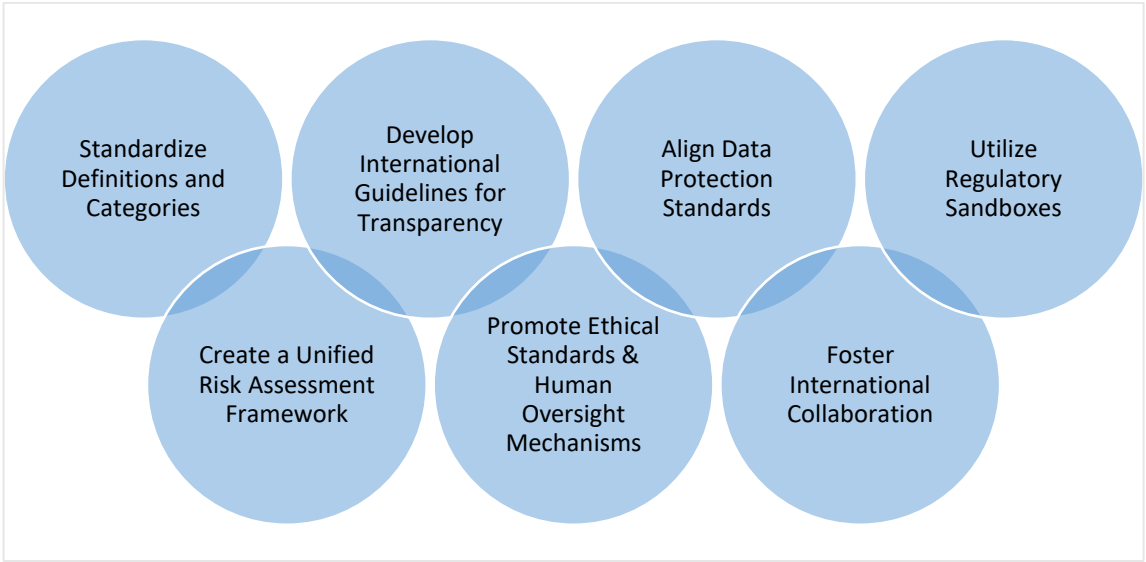

Figure 34: Harmonization Strategy across Regulatory Frameworks

#	Strategy	Description
1	Standardize Definitions and Categories	Develop common definitions for key concepts such as "AI," "high-risk",” medium-risk”, “low-risk” & "transparency" across all frameworks to reduce ambiguity and facilitate compliance.
2	Create a Unified Risk Assessment Framework	Establish a collaborative platform where stakeholders from different regions can share best practices for risk assessment methodologies, ensuring that all frameworks adopt similar criteria for categorizing risks.
3	Develop International Guidelines for Transparency	Formulate guidelines that require organizations to disclose information about their AI systems' functionalities, decision-making processes, and data handling practices universally
4	Promote Human Oversight Mechanisms	Encourage the integration of human oversight in all high-risk AI applications across jurisdictions, ensuring that decision-making remains accountable
5	Align Data Protection Standards	Work towards harmonizing data protection regulations, ensuring that principles like user consent, data minimization, and security are consistently applied across different jurisdictions
6	Foster International Collaboration	Establish international forums or working groups to facilitate dialogue between regulators from different countries,

		allowing them to share insights and align their regulatory approaches effectively.
7	Encourage Ethical Standards Development	Collaborate with industry stakeholders to create a set of ethical standards for AI development that can be adopted globally, promoting fairness, accountability, and respect for human rights
8	Utilize Regulatory Sandboxes	Implement regulatory sandboxes in various jurisdictions where companies can test their AI innovations under the supervision of regulators while adhering to common standards.

Table 20: Harmonization Strategies for Global AI Governance

Business & Marketing Strategy

A threshold-based approach is more suitable that provides capabilities to fine tune the model outputs as key measurement and validation criteria with relevant KPIs and metrics at various levels of business use case, risks, thresholds, model performance metrics during testing and audit measurements.

Measurement Criteria, Thresholds, KPI's & metrics

Marketing Operations – KPIs & Metrics

A list of KPIs & metrics to evaluate the performance of campaigns and strategies:

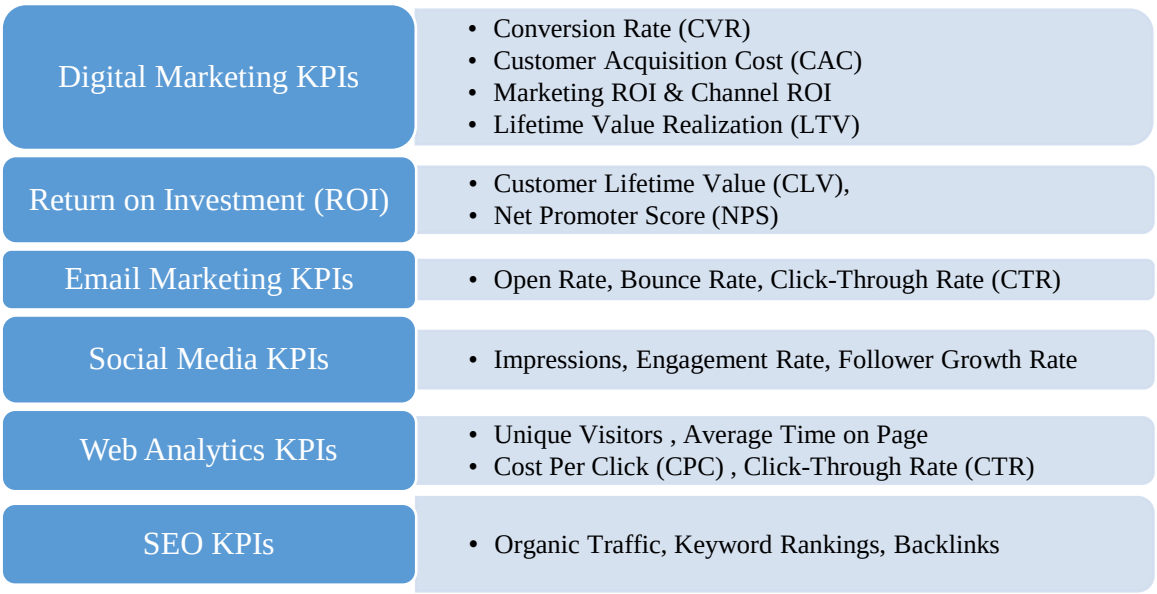

Figure 35: Sample list of KPI's & Metrics for Digital Marketing Performance

Marketing Insights

Below is a comprehensive list of KPIs & Metrics

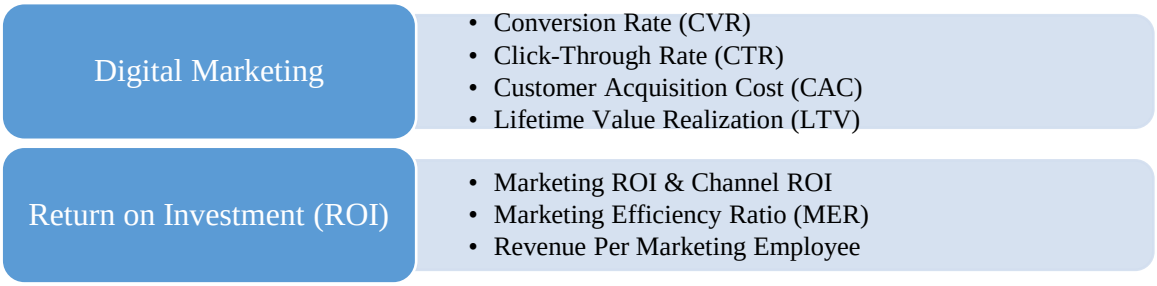

Figure 36: Key KPI's & Metrics of Business & Marketing Strategy

Data Strategy

Developing a successful and robust data strategy is for key AI and Generative AI Use cases in B2C marketing and requires careful consideration of data collection, data storage, data management, data analysis, utilization and compliance with regulation.

Below is the structured approach to formulating this data strategy for B2C marketing:

Data Collection

Consider diverse data sources for comprehensive consumer insights and marketing trends for analysis. The diverse data sources should include:

- Customer data on digital channels. E.g.: Website Visits, Social Media interactions
- Transactional data from purchase history
- Customer service data from feedback, reviews, survey and customer complaints
- Third Party data (demographics data)
- Real-time data

Consent Management

Implement a transparent consent mechanism to ensure customers are aware of the data collection practices, comply with data privacy regulations like GDPR, CCPA, PDPC, DPA, etc., and AI regulations like EU AI Act, US AI Risk Management Framework, Chinese AI Regulations, Brazil AI Regulations, Singapore Model Governance framework.

Data Management

Data management is a critical aspect of modern business operations, involving systematic handling of data to maximize its value while ensuring security and compliance.

Data Governance Framework

- Establish policies for data usage as per regulatory requirements

- Ensure regular data audit practices to maintain adherence to legal standards

Data Hygiene and Quality Assurance

- Maintain high quality data through

  ✓Regular cleansing, processes to eliminate duplicates and outdated information

  ✓Validation checks to ensure accuracy and consistency

Data Integration

- Integrate data from diverse sources into a unified platform to create a holistic view of customer interactions

Data Analysis

- **Descriptive Analysis:** Analyze historical data to understand customer past behaviors
- **Predictive Analysis:** Leverage machine learning algorithms to forecast future consumer behaviors based on historical patterns
- **Prescriptive Insights:** Use insights from predictive analysis to recommend actions that optimize marketing strategies

Data Security

- Implement robust security measures to protect sensitive customer information from breaches or misuse.
- Regularly update security protocols in line with evolving regulations and best practices.

Feedback loop

- Establish mechanism for continuous feedback loop from customers regarding their experiences with AI driven interactions

Compliance with Regulations

- Ensure data practices comply with relevant laws governing consumer data protection
- Ensure compliance with relevant laws governing AI use cases for consumer protection

Key Constructs for effective Data Strategy

#	Key Constructs	Description
1	Compliance with Regulations	Ensure data practices adhere to relevant laws governing consumer data protection
2	Ethical data usage	Establish guidelines that promote ethical considerations in how customer data is collected, stored, and utilized
3	Transparency	Clearly communicate with customers on how their data will be used fostering trust
4	Scalability	Design a scalable data strategy to accommodate future growth of customers as new technologies emerge
5	Cross Department collaboration	Foster collaboration between marketing, IT, legal and compliance teams to ensure a holistic approach to data management
6	Continuous improvement	Regularly review and update data strategy based on technological advancements, changing market and regulatory dynamics

Table 21: Key Constructs for effective Data Strategy

Role of Data Infrastructure

Traditional data infrastructure for holding customer data has been a challenge and the resolve by the industry is only strengthened with the promise of big data and AI technologies. Part of the problem was the legacy Customer 360 solution relied on traditional approach of collecting and analyzing the 1st party data with analysis of data dimensions of customer demographics, purchase history, independent scores maintained and published by credit agencies etc., thus limiting the intimacy factor.

Thus, marketing solutions were restricted to single view of customer with limited dimensions leaving the marketers with narrow bandwidth for cross-sell and up-sell opportunities and increase wallet share or the lack of better understanding of the customer sentiment, if customer is unhappy with product or service, and hence has decided to churn. A traditional data warehouse (DWH) built on RDBMS technologies served as the go-to repository for Customer 360 solution powered by data visualization (BI solution) and limited capability on predictive analytics of customer segmentation, propensity modeling, churn modeling, forecasting, demand planning, attribution etc., to generate higher accuracy.

Role of Data Lake, Modern Data Warehouse and Data Lakehouse

The Data Lake/ Data Lakehouse have emerged as an extension of DWH as a custom solution and serve as modern data repository to hold customer 360 data with additional capabilities to mine customer data augmented by interaction data, transaction data, location data etc., giving the marketers unlimited opportunities to segment and reach consumers at various touch points and track customer journey for product and service

recommendations.

The modern data platform, Cloud capabilities with increased storage and compute capacity and scalable AI/ML technologies have offered marketers unlimited scalability to reach out to consumers at various touch points with omni-channel marketing and with hyper-personalized products and services.

Rise of the Customer Data Platforms

Unlike the custom solution of a Data Lake or Data Lake house or DWH, the customer data platform is a pre-built data platform and provides out of the box customer focused data & AI solutions with diverse capabilities to ingest data in real-time and batch. The pre-build capabilities of the single view of the customers, well-defined Dimensional data model for analysis using and integrated / embedded data visualization tool and pre-built predictive analytical capability for AI/ML solutions.

The Customer Data Platform (CDP) is hosted on a Public Cloud in a SaaS model and has capabilities to ingest both structured and unstructured data. A wide variety of descriptive, predictive, diagnostic and perspective AI / ML use cases are possible which are pre-built for marketing business for the analysis of customer data with the assurance of data quality, data security and consumer data protection policies (GDPR, CCPA, PDPC etc.,). The CDP if further integrated into a personalization engine can provide outcomes of recommendations, promotions/offers with capability for E-Mail marketing based on marketing & campaign strategy.

AI Use Cases in Customer Data Platform

Marketers can employ the MarTech stack comprising the CDP, personalization

engine for outbound and inbound marketing for the following analysis:

- Personalized Marketing Campaigns, Customer Segmentation
- Chatbots for Customer Engagement, Dynamic Pricing Strategies
- Sentiment Analysis, Predictive Lead Scoring
- Omni-Channel Analytics, Multi-Touch Attribution (MTA) etc.,

Generative AI in Customer Data Platform (Gen AI in CDP)

With a rich repository of the customer data, product catalog data and marketing data, transaction data and interaction data and social media data and 3rd party data, the CDP can be considered a rich repository for Generative AI Use Cases to automate a variety of marketing activities.

Generative AI offers numerous opportunities for B2C marketers to enhance personalization, streamline content creation, creation of personalized emails, blog articles, and product descriptions that resonate with individual customers and improve customer engagement. By leveraging these use cases effectively, businesses can not only meet evolving consumer expectations but also gain a competitive edge in a rapidly changing market landscape.

Role of AI Strategy for traditional AI models and LLMs

AI Strategy

Below is the comprehensive overview of the key constructs and key tenets for AI strategy in B2C marketing. It is important to outline key constructs and tenets that will guide the implementation of AI technologies.

Key Constructs for AI Strategy in B2C Marketing

#	Key Constructs	AI Use Case	Description
1	Customer Centricity	Personalization	AI enables to analyze customer data and deliver tailored experiences such as personalized recommendations, targeted content and customized marketing messages
2		Customer Insights	Leverage AI to gain deeper understanding of customer behavior and preferences, allowing for effective segmentation and targeting
3	Data Driven Decision Making	Data Collection and Management	Implement robust systems for data collection and managing customer data from various sources (websites, social media, purchase history etc.,), while ensuring compliance with data protection regulations
4		Analytics & Insights	Use AI powered tools to analyze and derive actionable insights to help marketers make informed decisions for enhanced campaign effectiveness
5	Automation & Efficiency	Marketing Automation	Automate marketing routine tasks (e.g., email campaigns, social media posting) using AI to improve operational efficiency allowing teams to focus on strategic objectives

6		Dynamic Campaign Optimization	Use AI to optimize marketing campaigns in real-time and performance metrics, ensuring that resources are allocated effectively
7	Enhanced Customer Engagement	AI Chatbots / Virtual Assistants	Implement AI Chatbots to provide real-time customer support, answer queries and guide user through their purchase journey
8		Sentiment Analysis	Use NLP to analyze customer feedback from various channels (website reviews, social media) to gauge sentiment and improve offerings
9	Product Innovation	Gen AI Product Development	Use Generative AI to streamline product development processes, enabling rapid prototyping and innovation based on market feedback and dynamics

Table 22: Key Constructs for AI Strategy in B2C Marketing

Below are the key constructs and tenets for the inbound and outbound marketing to enable AI & AI Governance in B2C marketing considering various regulatory frameworks.

Key Constructs for Inbound Marketing

#	Inbound Marketing Constructs	AI Use Case	Description
1	Marketing Research	Consumer Behavior Analysis	Understand Consumer preferences and motivations
2		Market Segmentation	Identifying distinct customer segments for tailored messaging.
3		Trend Analysis	Monitoring Shifts in Consumer preferences
4	Lead Generation	Content Marketing	Creating Valuable content (blogs, videos) that attracts potential customers
5		Search Engine Optimization (SEO)	Enhancing Website content to improve visibility in search results
6		Social Media Engagement	Publish social media contents and build relationships on social media platforms to generate leads
7		Predictive Lead scoring	Identifying leads most likely to convert based on historical data

8	Marketing Strategy	Buyer profile development	Crafting profiles of target customers to guide marketing efforts
9		Value proposition crafting	Developing clear statements that communicates unique benefits
10		Go-To-Market Strategy	Planning product launches, including promotional tactics
11	Marketing Operations	Campaign Management	Planning and executing inbound campaigns across various channels
12		Performance Tracking	Measuring effectiveness through KPIs like conversion rates
13	Marketing Insights	Data Analytics	Analyzing data from inbound channels for actionable insights
14		Customer Feedback Analysis	Interpreting feedback to enhance future strategies
15	Customer Analytics	Segmentation Analysis	Identifying Customer segments based on behavior and preferences
16		Churn Prediction	Analyze patterns leading to attrition to develop retention strategies
17		Personalization	Using AI for personalized / tailored content recommendations

18	Pricing Analytics	Dynamic Pricing Strategies	Using AI/ML algorithms for tailored content recommendations

Table 23: AI Strategy – Key Constructs for Inbound Marketing

Outbound Marketing Constructs

#	Outbound Marketing Constructs	AI Use Case	Description
1	Marketing Research	Competitor Analysis	Evaluating Competitor Strategies for informed outbound tactics
2		Market Trends Monitoring	Keeping Track of Industry Trends influencing outbound approaches
3	Lead Generation	Direct Mail Campaigns	Reaching potential customers through physical mailers
4		Telemarketing	Engaging potential customers via phone calls for lead generation
5	Marketing Strategy	Advertising Strategy	Crafting outbound advertising strategies across media channels.

6		Promotion Campaign Planning	Designing offers that encourage immediate consumer action.
7	Marketing Operations	Ad Placement Management	Coordinating Ad placement across various media for maximum reach
8		Budget Allocation for Outbound Campaigns	Managing budgets specifically for outbound initiatives.
9		Automated Ad Optimization	Utilizing AI tools for real-time optimization of ad placements.
10	Marketing Insights	Campaign Performance Metrics	Evaluating effectiveness through metrics like reach and response rates.
11	Customer Analytics	Target Audience Profiling for Outbound Campaigns	Analyzing data to define target audiences.
12		Audience Targeting Enhancements	Leveraging AI for precise targeting based on consumer behavior analysis.
13	Pricing Analytics	Promotional Pricing Strategies for Outbound Campaigns	Implementing pricing strategies alongside outbound efforts.

Table 24: AI Strategy – Key Constructs for Outbound Marketing

Key Constructs for effective AI Strategy

#	Key Tenets	Description
1	Regulatory Compliance	Ensure adherence to regulations such as EU AI Act, US AI Risk Management Framework, and others regarding data privacy and ethical use of AI
2	Data Privacy Compliance	Ensure compliance with regulations (e.g., GDPR, CCPA) regarding consumer data protection when implementing AI solutions
3	Ethical Considerations	Establish guidelines for ethical considerations in deploying AI technologies in marketing practices, ensuring fairness and transparency
4	Human Oversight and Accountability	Maintain human oversight in AI-driven decision-making processes to ensure accountability
5	Continuous Learning & Adapt	Implement systems that allow AI models to learn from new data continuously, adapting marketing strategies
6	Integration Across Channels	Ensure that AI solutions are integrated across all marketing channels for a cohesive customer experience
7	Performance Measurement and Optimization	Regularly assess the performance of AI-driven initiatives against KPIs, optimizing strategies based on insights gained
8	Transparency in Data Usage	Clearly communicate with customers about how their data is being used in AI applications, fostering trust and

		engagement
9	Consumer Education	Inform consumers about the benefits of personalized experiences driven by AI while addressing any concerns related to data privacy and data usage
10	Feedback Mechanism	Create channels to gather customer feedback regarding their experiences with AI driven interactions to refine strategies continuously
11	Cross department collaboration	Foster collaboration between marketing, legal, IT, Audit and compliance to ensure a holistic approach to implementing AI solutions effectively

Table 25: AI Strategy - Key Constructs for effective AI Strategy

By focusing on the above key constructs and tenets within an overarching AI strategy for B2C marketing, organizations can effectively leverage AI technologies to enhance customer engagement, streamline operations, and drive business growth while ensuring compliance with regulatory frameworks and being competitive.

Generative AI Use Cases

Generative AI is transforming B2C marketing by enabling personalized experiences, efficient content creation, and enhanced customer engagement. Below are some of the key use cases for generative AI in B2C marketing:

#	Generative AI Use Case	Description
1	Hyper-Personalization	Generative AI can analyze vast amounts of customer data (browsing history, past purchases) to create highly personalized marketing messages and product recommendations, enhancing the shopping experience and driving sales
2	Content Creation	AI tools like Jasper and Writesonic can generate high-quality content for blogs, social media posts, product descriptions, and promotional materials. This not only saves time but also ensures that the content is SEO-friendly and relevant to the target audience.
3	Dynamic Advertising Campaigns	Generative AI can help create dynamic advertising campaigns that adapt in real-time based on customer interactions and market trends. This allows marketers to optimize their strategies for better performance and ROI.
4	AI Chatbots / Virtual Assistants for Customer Support	AI-driven chatbots can provide instant customer support by answering user queries and assisting order tracking and generating relevant responses and guide users in through their purchase journey. This enhances the overall customer experience by

		providing instant assistance.
5	Sentiment Analysis	Generative AI can analyze customer feedback from various sources (e.g., reviews, social media) to gauge sentiment and identify areas for improvement. This helps businesses respond proactively to customer needs and enhance their offerings.
6	Product Development	By analyzing consumer trends and preferences, generative AI can assist in rapid prototyping and product development. Brands can create customized products that align with customer expectations, thereby fostering brand loyalty.
7	Visual Content Generation	Tools like DALL-E and Mid-journey enable marketers to create unique images or graphics based on textual prompts. This capability can be used for social media posts, advertisements, or website visuals without the need for extensive graphic design resources.
8	Automated Email Marketing	Generative AI can personalize email content dynamically based on user behavior and preferences, ensuring that each recipient receives relevant information that increases the likelihood of

		engagement.
9	Next Best Action (NBA) Recommendations	AI systems can analyze customer interactions to suggest the next best action or offer tailored to individual users, enhancing conversion rates and improving the overall customer journey.
10	SEO Optimization	Generative AI can assist in creating SEO-optimized content by identifying relevant keywords and phrases based on current search trends, thus improving organic visibility.

Table 26: Generative AI Use Cases for B2C Marketing

Risk Management & AI Use Case Risk Classification

Implementing effective risk management strategies for AI in B2C marketing is essential for navigating the complexities of data privacy, bias, cybersecurity, and ethical considerations. By proactively addressing these risks, companies can leverage AI technologies to enhance their marketing efforts while safeguarding their reputation and customer trust.

Below are the key aspects of how risk management applies to AI in marketing:

Risk Type	Risks	Mitigation
Customer satisfaction	Customer Churn	Enhance customer experience with AI Chatbots for instant support and recommendations for customer satisfaction

		and loyalty
Operational	Campaign effectiveness	Enable predictive analytics and real-time monitoring of campaigns and assess risks for underperformance and adjust marketing strategy and resource allocation to maximize Campaign ROI
Financial	Fraud detection and Prevention	Implement Fraud detection mechanism to protect online transactions to reduce financial loss and maintain customer trust
Financial	Reputational	Ensure Copyright and IP violations are taken care to reduce burden of legality and penalties with AI & GenAI use cases
Data privacy and compliance	Compliance risks for data privacy protection laws	Establish a robust risk management framework to ensure compliance with data privacy regulations (GDPR, CCPA, PDPC, DPA etc.,) to protect sensitive information (PII, SPI) and avoid legal disputes and penalties. Ensure regular audits, data encryption, data security best practices and consent management.
Bias and fairness	AI algorithms trained on biased datasets can lead	Ensuring continuous monitoring and training of models on diverse datasets to

	to biased outcomes and could potentially discriminate a segment of customers for marketing consideration.	detect and mitigate bias to ensure marketing efforts are equitable and inclusive.
Cybersecurity	Cybersecurity risks due to data leakage or data breach of sensitive customer data leading to penalties and reputational risks.	Enterprises to ensure Cybersecurity measures and include threat detection systems and incident response plans to protect AI systems
Model validation and Performance monitoring	Model accuracy and reliability risks	Regular performance monitoring, model validation, monitoring of AI models for data drift and model drift to ensure model performance consistency for marketing effectiveness and reliability
Ethical considerations	Ethical	Ensure Ethical guidelines are established to address consumer trust issues due to AI in marketing and reduce risk of penalties and reputational risk

Customer Experience Management	Customer dissatisfaction / redressal	Mechanism to gather customer feedback, sentiment analysis to ensure faster response time and redressal mechanism to resolve issues

Table 27: Risk Matrix for AI Governance in B2C marketing

Impact Assessments

- Self-Assessment: Develop custom self-assessment framework for preparedness
- Algorithmic Assessment: Develop Algorithmic Impact Assessments (AIA) for risks
- Risk Assessment: Develop/Align with Risk Management framework

Change Management

Classical AI & GenAI in marketing, and rapid AI innovation and adoption are new reality and marketers are embracing the AI product innovation, optimize marketing strategy and operations. From an AI Governance perspective, it is best to start preparing for the changes today. AI is not so much a technological change as it is a business change in organizations that requires change management, strategy and vision. (Milena Fornazarič, 2023) and organizations need to develop a robust change management plan to take advantage of AI innovation to gain competitive edge.

AI Capabilities & Skill Building

With clear benefits in AI in marketing organizations need to budget and plan for implementation. AI system build needs diverse skillsets and finding the right talent is a challenge. Enterprises need to build inhouse capabilities or outsource to vendor partner.

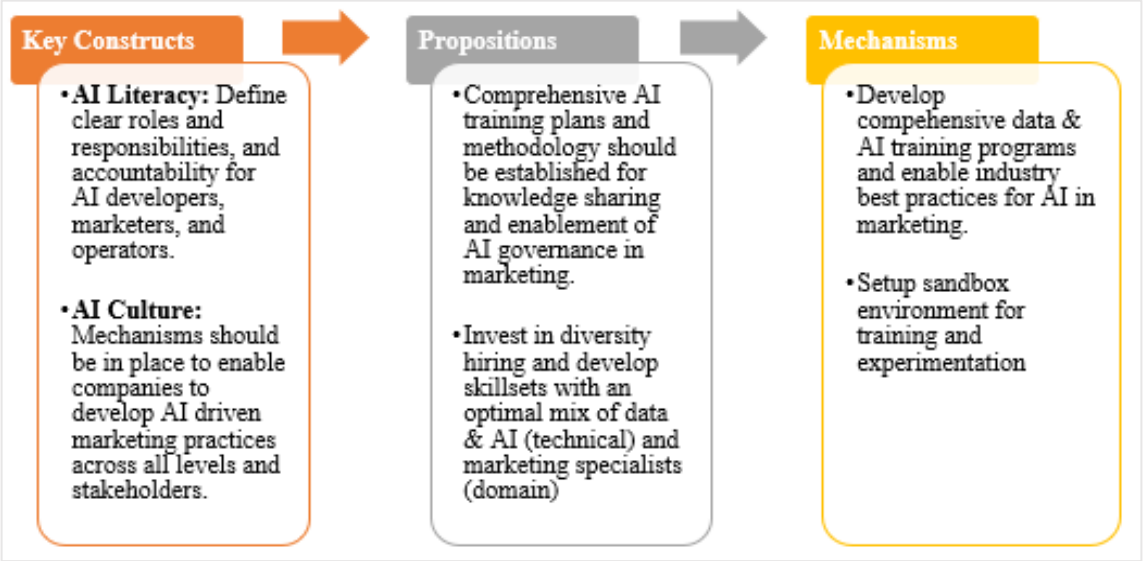

Figure 37: Key drivers of AI Capabilities & Skill Building

Self-Assessment framework

In the context of Business-to-Consumer (B2C) marketing, a self-assessment framework for AI governance is essential for ensuring that AI technologies are used ethically, transparently, and in compliance with regulatory standards. In the absence of a AI regulation for B2C marketing / low-risk AI use cases, the following Self-Assessment framework can be used for AI governance readiness, as a checklist of items to work on to ensure ethical considerations of AI use cases in B2C marketing.

The Key Components of the Self-Assessment Framework are depicted below:

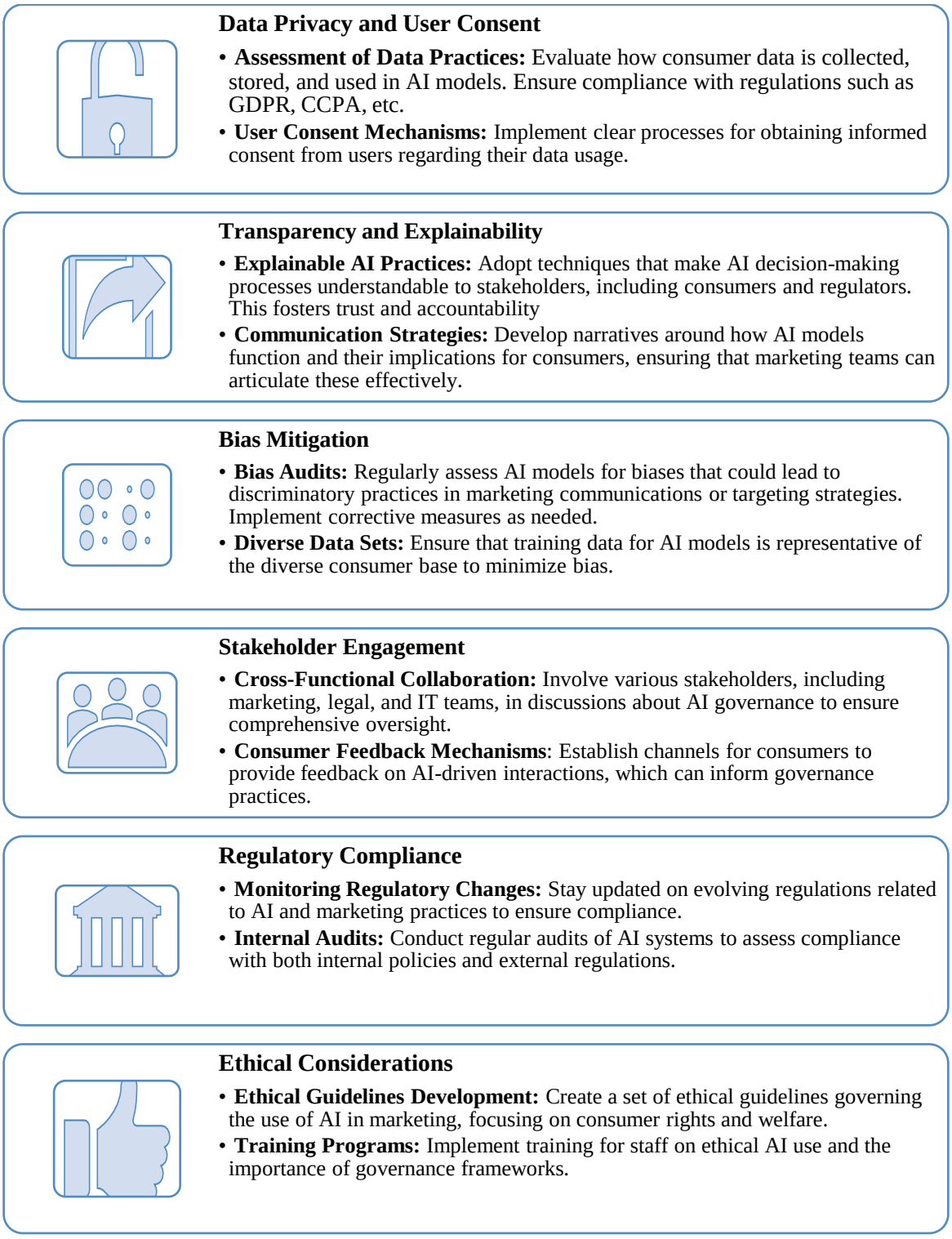

Figure 38: Self-Assessment framework for AI governance in B2C marketing

Implementation Steps

- **Establish Governance Roles**

  Designate a cross-functional team responsible for overseeing AI governance initiatives within the organization.

- **Develop Impact Assessment Tools**

  Create or adopt assessment tools that allow teams to evaluate their adherence to the self-assessment framework regularly. Other assessment tools could include algorithmic assessment and risk assessment tools as required.

- **Conduct Regular Reviews**

  Schedule periodic reviews of AI practices against the framework to identify areas for improvement and ensure continuous compliance.

- **Foster a Culture of Responsibility**

  Encourage a company-wide culture that prioritizes ethical use of technology, emphasizing the importance of governance in maintaining consumer trust.

- **Conclusion**

A self-assessment framework for AI governance in B2C marketing is crucial for organizations aiming to leverage AI responsibly while maximizing its potential benefits. By focusing on data privacy, transparency, bias mitigation, stakeholder engagement, regulatory compliance, and ethical considerations, businesses can navigate the complexities of AI technologies effectively. This proactive approach not only enhances consumer trust but also positions brands as leaders in ethical innovation within the competitive landscape of digital marketing.

AI Governance, Audit & Compliance

B2C marketing involves customer data, enterprise needs to ensure AI Risk Management frameworks and approaches are in alignment with the local and global markets and comply to data privacy laws of the region.

AI in B2C marketing is a complex proposition and consists of a diverse set of stakeholders across the marketing value chain, enterprise or SME organizations to be supported by AI providers from the likes of Big tech for Cloud data infrastructure, platform and algorithms, social media platforms and CRM tools & technologies.

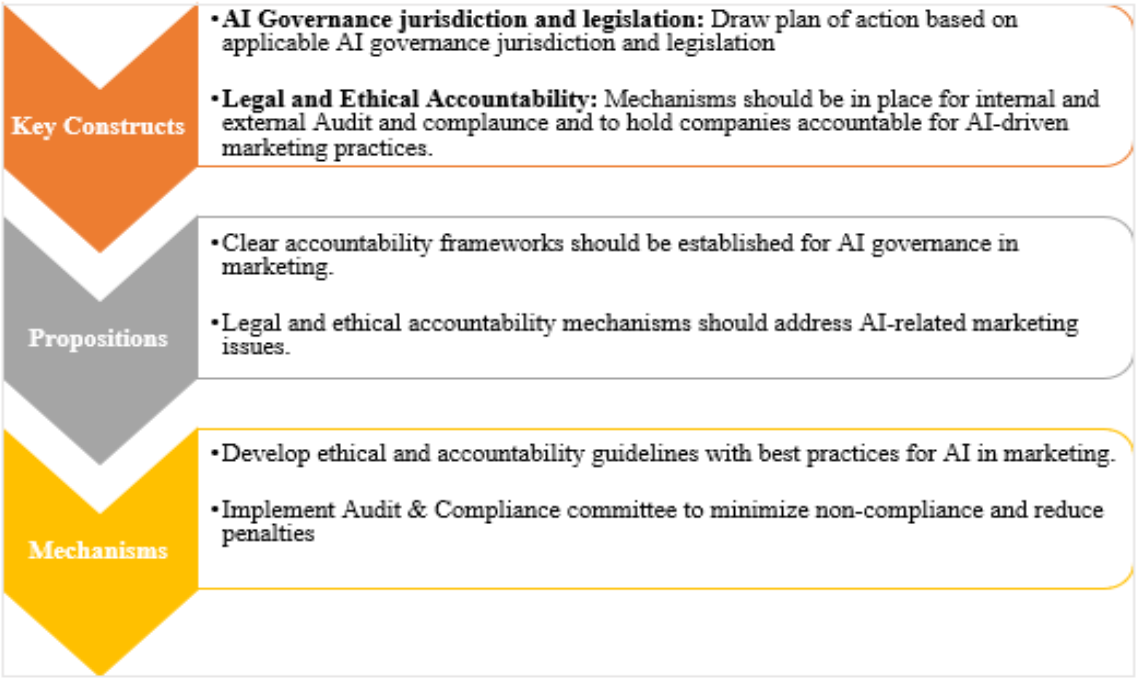

Figure 39: Key drivers of AI Governance / Regulation, Audit & Compliance

3.3 Research Purpose and Questions

AI governance in B2C marketing context is a novel attempt. The objective of this paper is to create an AI governance framework with the main aim of "Crafting an Effective AI Governance Framework for B2C Marketing Success and Competitive Edge". There is a need to plug the gaps and provide holistic AI Governance framework to the B2C marketing stakeholders with guidelines throughout the AI Lifecycle to design and deploy AI systems, prepare the B2C marketers well in advance for the emerging regulatory policies & legislation for compliance to avoid liabilities.

Following are the specific aims undertaken in the research for the B2C marketing success and competitive edge:

- To operationalize AI principles given the drivers, barriers and risk factors in crafting an effective AI governance
- To align AI governance framework with Business strategy, OKRs (Objectives & Key Results) with Data & AI strategy
- To develop Responsibility and Accountability framework / mechanism for stakeholders throughout AI Lifecycle (RACI Matrix)
- To develop / align AI standards and policies for B2C marketing AI use cases

Following are the list of questions that need to be addressed for B2C marketing success and competitive edge:

1.What are the key drivers, barriers and risk factors in crafting an effective AI governance framework for B2C marketing?

2.How can B2C marketeers operationalize AI Principles of bias/fairness, transparency, responsibility, ethics, security and accountability to enable trustworthy AI for brands, protect consumer well-being and be profitable?

3.What are the Key Roles & Responsibilities of stakeholders in AI implementation for B2C marketing?

4.What AI standards, processes and documentation need to be adopted by stakeholders throughout the AI Lifecycle in B2C marketing involving Market Research, Strategy & Operations?

5.How to align each of the B2C marketing AI use cases in decision making from Customer acquisition to Customer engagement for balancing innovation with risks for a rewarding Customer experience?

3.4 Research Design

The methodology in this section details the approach taken to study the potential impact of AI Governance in B2C Marketing industry. Due to lack of empirical data on mechanism and procedures that firms engage and deploy, this research is exploratory in nature, offers flexibility and encourages generalizability.

This research aims to offer a through strategy in comprehending and validation of the research undertaken by utilizing a mixed methodology approach. The primary research methodology is the literature review along with quantitative methods of data collection through surveys, survey data analysis and qualitative methods, observations from ongoing debates, emerging policies and publications on AI regulations and theoretical and conceptual modelling on AI Governance. **This study will be conducted**

between June 2024 and November 2024.

This approach enables a more thorough analysis by leveraging the strengths of mix methodology involving qualitative, quantitative and case study methods. The quantitative part involves surveys and examination of secondary data sources. This research framework involves the quantitative methods for gathering data, techniques for analyzing data, and an examination of the research's reliability and validity.

3.5 Population and Sample

Out of 400 distributed surveys, **300 responses** were deemed valid, representing a robust **75% response rate**. This high response rate indicates a strong interest and engagement in the topic, reflecting its relevance to contemporary industry challenges.

3.6 Participant Selection

3.6.1 Response Rate and Demographic Breakdown of Respondents

The demographic analysis of respondents provides a comprehensive view of the sample:

1. **Gender:**
   - Male: **50% (150 respondents)**
   - Female: **46.7% (140 respondents)**
   - Other: **3.3% (10 respondents)**

This gender distribution reflects an inclusive approach, capturing diverse viewpoints critical for understanding fairness and equity in AI governance.

2. **Age Group:** Respondents span across 10 age categories, with the majority (**53.3%**) between **26-40 years**, representing mid-career professionals directly engaged with AI technologies.

- **15-20 years:** 3.3%
- **21-25 years:** 13.3%
- **26-30 years:** 20%
- **31-35 years:** 18.3%
- **36-40 years:** 15%
- **41 years and above:** 30%

3. **Education:**

- Bachelor's Degree: **40%**
- Master's Degree: **46.7%**
- Doctorate: **10%**
- Other: **3.3%**

The high proportion of respondents with postgraduate degrees highlights the academic and professional rigor of the sample.

4. Experience:

- 1-5 years: 26.7%
- 6-20 years: 53.3%
- Above 21 years: 20%

This distribution ensures representation of both early-career and seasoned professionals.

5.**Geographic Distribution:** The respondents were geographically diverse, with **40% from India**, followed by the **US (16.7%)**, and significant representation from Europe, Japan, and other regions.

6. Industry Sector:

- Technology: 26.7%
- IT Consulting & Services: 16.7%
- Marketing & Advertising: 13.3%
- Other sectors: 43.3%

7. **Organizational Size:**
   - Small (0-50 employees): 20%
   - Medium (51-500 employees): 26.7%
   - Large (501-5000 employees): 33.3%
   - Very Large (5001+ employees): 20%

8. **Professional Roles:** Respondents occupied diverse roles, with a focus on AI practitioners, data scientists, marketing professionals, and senior executives, ensuring the inclusion of both strategic and operational insights.

The comprehensive and diverse dataset reflects a representative sample of industry professionals. The robust response rate and balanced demographic composition provide a solid foundation for analyzing the key drivers, barriers, and principles necessary for crafting an effective AI governance framework for B2C marketing success. This dataset ensures credibility and relevance to both theoretical exploration and practical implementation.

3.7 Instrumentation

3.7.1 Data Cleaning and Preprocessing

Data cleaning and preprocessing are essential steps in ensuring the quality, reliability, and validity of the data. These processes help to identify and address any

issues related to missing values, outliers, inconsistencies, and other data quality concerns, which can affect the accuracy of the analysis.

Handling Missing Values, Outliers, and Inconsistencies

1. **Handling Missing Values:**

- **Identification of Missing Data:** The dataset was reviewed to identify missing responses in the survey. Missing values were found in 2% of the total dataset, primarily in non-mandatory demographic fields like "Other" under gender or industry sector.

- **Treatment Methods:**

o For categorical variables (e.g., gender, industry sector), missing responses were categorized as "Not Disclosed."

o For continuous variables (e.g., age, experience), mean or median imputation was applied based on the distribution of the data. Mean imputation was used for normally distributed variables, while median imputation was preferred for skewed distributions.

o **Impact Assessment:** A sensitivity analysis was conducted post-imputation to ensure the treatment of missing values did not skew results or introduce bias.

2. Handling Outliers:

o Identification of Outliers: Outliers were detected using statistical methods, such as Z-scores and the interquartile range (IQR). Values falling more than 3 standard deviations from the mean or outside the IQR (Q1 - 1.5IQR to Q3 + 1.5IQR) were flagged.

- **Treatment Methods:**

o **Capping and Flooring:** Extreme values in continuous variables like years of experience were capped at the 95th percentile and floored at the 5th percentile.

- **Winsorization:** In rare cases where outliers could distort mean and standard deviation, values were replaced with the nearest acceptable limit.
- **Exclusion of Erroneous Data:** Responses with logically inconsistent entries (e.g., a respondent indicating both "Less than 1-year experience" and "Very Large organization") were excluded.

3. Handling Inconsistencies:

- **Cross-Validation of Responses:** Responses were cross-checked for logical consistency. For example, respondents indicating high years of experience were validated against their indicated roles to ensure congruence.
- **Standardization of Categories:** Variations in categorical entries due to typographical errors (e.g., "master's degree" vs. "Masters") were standardized.
- **Resolution of Ambiguities:** Ambiguous entries in open-ended fields (e.g., "Other" under education level) were recoded into predefined categories after review.

Ensuring Data Reliability and Validity

1. **Reliability Checks:**

- **Internal Consistency:** The reliability of survey constructs was assessed using Cronbach's Alpha. Constructs with a value above the acceptable threshold of 0.70 were deemed reliable.
- **Consistency Across Data Sources:** Responses from different channels (e.g., online, and offline surveys) were compared to ensure no significant discrepancies existed.

2. **Validity Checks:**

- **Face Validity:** The survey was reviewed by domain experts to ensure questions were clear, relevant, and aligned with the study objectives.
- **Construct Validity:** Correlation analysis was conducted to verify that variables within constructs measured the intended concept. For example, responses related to "Responsible AI Guidelines" were correlated with "Accountability AI Guidelines" to confirm construct validity.
- **Data Entry Accuracy:** The dataset was double-checked for manual entry errors, ensuring all records accurately reflected the original survey responses.

3. **Normalization and Scaling:**

- Continuous variables, such as "Years of Experience" and "Age," were normalized to bring them to a comparable scale. This was particularly important for regression and machine learning models used later in the analysis.
- Categorical variables were encoded using dummy variables or one-hot encoding for statistical analysis.

4. **Data Transformation:**

- Responses with qualitative data were transformed into quantitative formats (e.g., Likert-scale values for subjective constructs like trustworthiness in AI). The data cleaning and preprocessing steps ensured the dataset was free from errors, inconsistencies, and biases. By addressing missing values, outliers, and inconsistencies, and through rigorous reliability and validity checks, the data was prepared for robust analysis. These measures enhance the credibility and accuracy of findings, ensuring that insights derived from the dataset are reliable and actionable.

3.8 Data Collection Procedures

The data for this study was collected using a structured survey distributed to professionals from various industries and regions, focusing on their experiences, perceptions, and practices related to AI governance in B2C marketing. The survey employed both online and offline channels, ensuring a broad reach. Respondents included individuals with diverse roles, from practitioners to senior executives, across sectors such as technology, marketing, and consulting. The data collection process prioritized inclusivity, targeting participants from different organizational sizes, geographic regions, and levels of expertise.

The survey was designed to capture insights on key areas like AI strategy, guidelines for responsible AI, and the challenges of deploying AI systems in B2C marketing contexts. To ensure quality responses, participation was voluntary, anonymous, and incentivized through professional development credits or industry-related perks.

3.9 Data Analysis

This chapter provides a comprehensive analysis of the data collected to address the research objectives, answer the research questions, and test the proposed hypotheses. The analysis focuses on crafting an effective AI governance framework for B2C marketing to achieve success and a competitive edge. This chapter begins with a brief introduction, outlining the key objectives of the analysis, including operationalizing AI principles, aligning AI governance with business strategy and defining AI standards and policies for B2C marketing use cases.

The chapter employs both quantitative and qualitative methods to uncover insights, using descriptive statistics, inferential analyses, thematic evaluations, and modelling techniques like Structural Equation Modelling (SEM). The analysis systematically examines key aspects such as drivers, barriers, and risks in AI governance, stakeholder roles and responsibilities, operationalization of AI principles, and alignment of AI governance with business decision-making in B2C marketing.

Each section aligns with the research objectives, highlighting actionable findings and their implications for AI implementation in marketing. The chapter also tests hypotheses related to the impact of AI governance on marketing effectiveness, consumer trust, risk mitigation, and stakeholder engagement, providing empirical evidence for crafting a robust and effective AI governance framework. This analytical approach establishes a solid foundation for the study's conclusions and recommendations in subsequent chapters.

3.9.1 Demographic breakdown of respondents

The demographics of the respondents provide a comprehensive profile of the individuals contributing to the study on AI governance in B2C marketing. A detailed demographic breakdown of the 300 respondents reveals a diverse and representative sample that contributes to the robustness of the study on crafting an effective AI governance framework for B2C marketing success.

The analysis highlights critical variations across gender, age, education, experience, geography, industry sector, organizational size, and professional roles, providing valuable insights into the study's objectives.

This diverse representation ensures the findings are well-rounded and applicable to a broad range of industries and organizational settings.

Gender			
Demographic	**Categorization**	**Percent**	**Cumulative Percent**
Gender	Male	50%	50%
	Female	46.70%	96.70%
	Other	3.30%	100%

Table 28: Survey Results – Participation by Gender

The nearly balanced representation of males (50%) and females (46.7%) indicates gender diversity, with a small proportion (3.3%) identifying as "other." This inclusivity ensures that perspectives across gender groups are considered, which is crucial for addressing fairness and bias in AI governance.

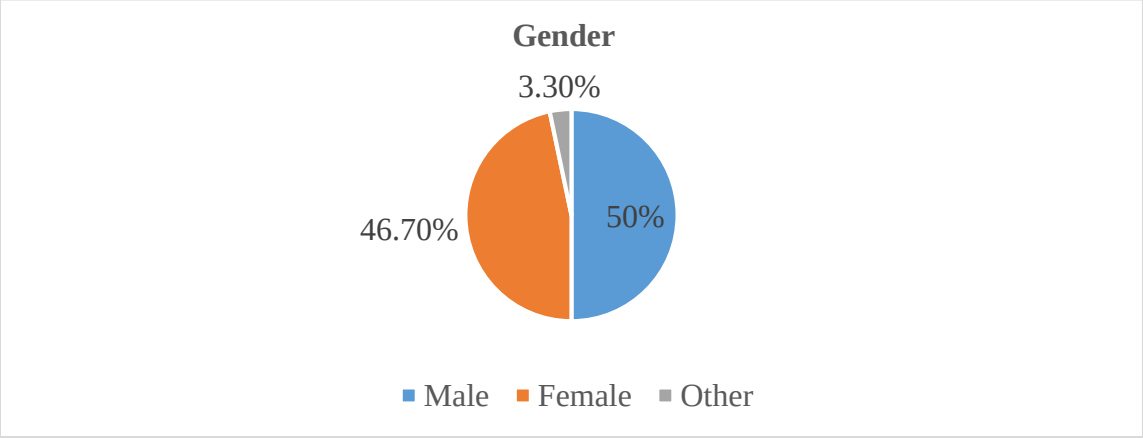

Figure 40: Survey Results – Participation by Gender

Age Group			
Demographic	**Categorization**	**Percent**	**Cumulative Percent**
Age Group	15-20 years	3.30%	3.30%
	21-25 years	13.30%	16.70%
	26-30 years	20%	36.70%
	31-35 years	18.30%	55%
	36-40 years	15%	70%
	41-45 years	11.70%	81.70%
	46-50 years	8.30%	90%
	51-55 years	5%	95%
	56-60 years	3.30%	98.30%
	Above 61 years	1.70%	100%

Table 29: Survey Results – Participation by Age Group

Respondents span ten age categories, providing a wide spectrum of perspectives:

- The majority are between **26 and 40 years old (53.3%)**, representing mid-career professionals actively engaged in B2C marketing and AI implementation.
- Younger respondents (**15-25 years, 16.6%**) bring fresh perspectives and insights into evolving consumer behaviors and digital engagement.
- Older professionals (**41 years and above, 30%)** contribute strategic viewpoints,

informed by extensive industry experience.

This distribution ensures that the study incorporates generationally diverse insights, which are critical for understanding how AI strategies affect different age groups in the workforce and consumer base.

The respondents span a wide age range, from 15 years to over 61 years, with a majority (53.3%) between 26-40 years. This range reflects the active involvement of both emerging professionals and mid-career experts, ensuring that the viewpoints are relevant to current market trends and practices.

The inclusion of older age groups adds depth, bringing in the experience and strategic insights of seasoned professionals.

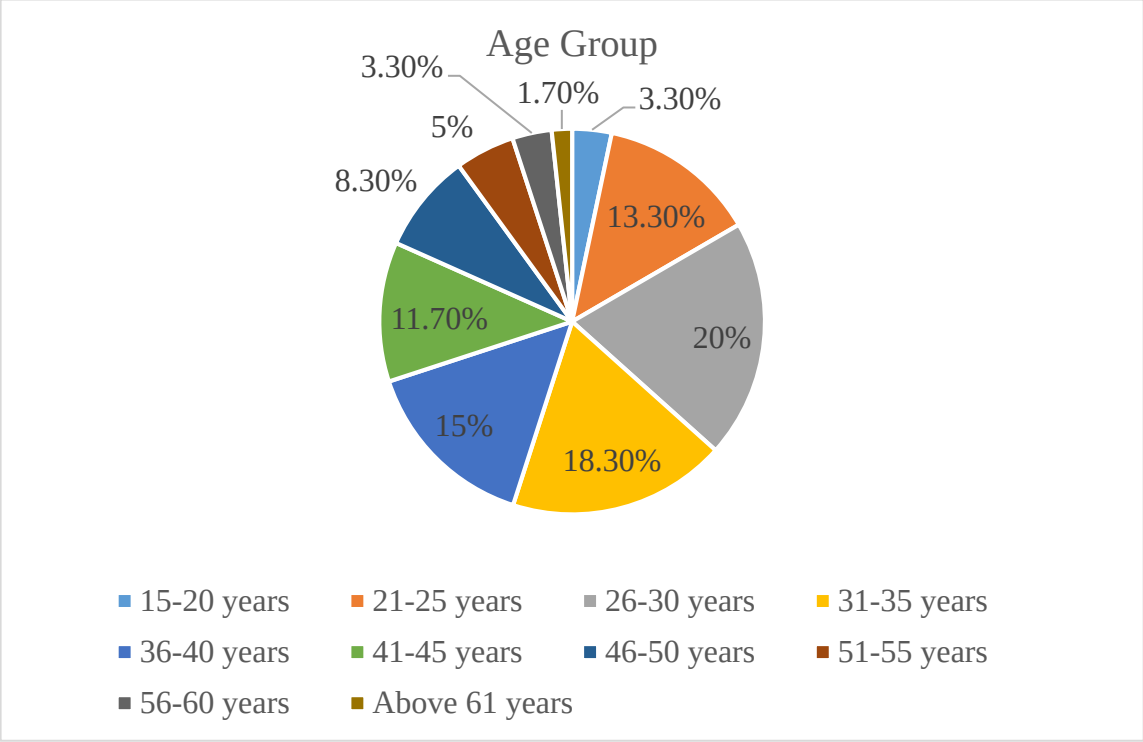

Figure 41: Survey Results – Participation by Age Group

Highest Level of Education			
Demographic	**Categorization**	**Percent**	**Cumulative Percent**
Highest Level of Education	Bachelor's Degree	40%	40%
	Master's Degree	46.70%	86.70%
	Doctorate	10%	96.70%
	Other	3.30%	100%

Table 30: Survey Results – Participation by Level of Education

Most respondents are highly educated, with **Master's degree holders (46.7%)** and **Bachelor's degree holders (40%)** dominating the sample. A smaller but significant group (**10%**) holds a doctorate, indicating advanced expertise. This educational diversity supports an informed analysis of AI principles and strategies, ensuring contributions from both academic and practical perspectives.

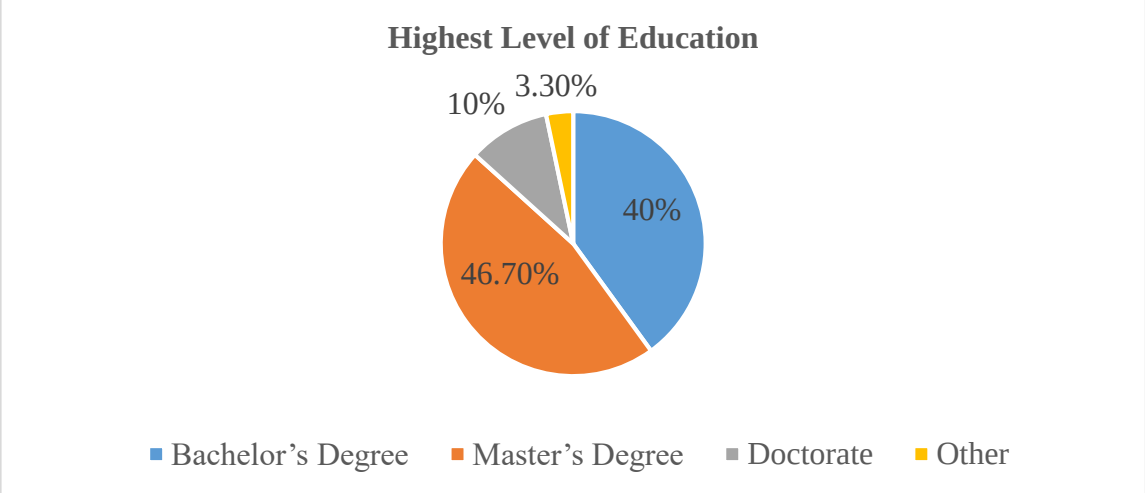

Figure 42: Survey Results – Participation by Level of Education

Years of Experience			
Demographic	**Categorization**	**Percent**	**Cumulative Percent**
Years of Experience	1-5 years	26.70%	26.70%
	6-10 years	23.30%	50%
	11-15 years	16.70%	66.70%
	16-20 years	13.30%	80%
	21-25 years	10%	90%
	26-30 years	6.70%	96.70%
	Above 30 years	3.30%	100%

Table 31: Survey Results – Participation by Years of Experience

Respondents range from **early-career professionals (1-5 years, 26.7%)** to **seasoned experts (above 30 years, 3.3%)**. This distribution provides insights from those directly engaging with emerging AI technologies as well as those with long-standing expertise in governance and strategy. The substantial representation of professionals with **6-20 years of experience (53.3%)** ensures practical, real-world inputs.

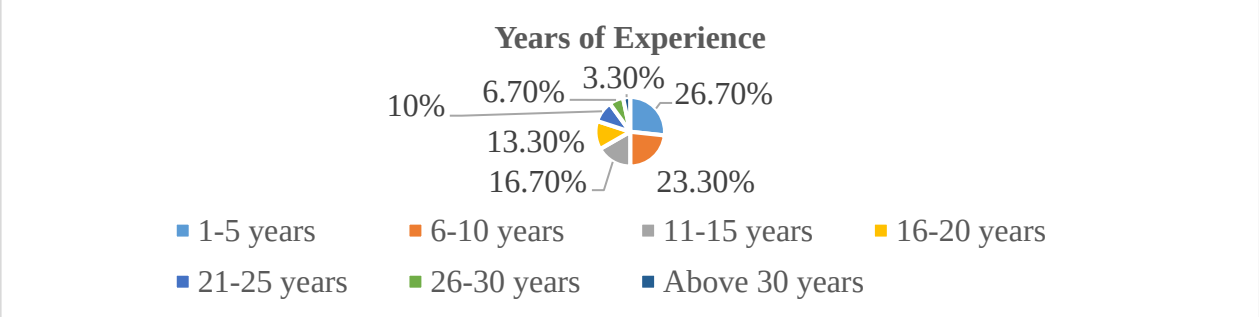

Figure 43: Survey Results – Participation by Years of Experience

Geography / Country			
Demographic	**Categorization**	**Percent**	**Cumulative Percent**
Country	India	40%	40%
	US	16.70%	56.70%
	UK	10%	66.70%
	Germany	6.70%	73.30%
	Japan	6.70%	80%
	Other	20%	100%

Table 32: Survey Results – Participation by Geography/Country

The study has a global reach, with respondents from **India (40%)**, the **US (16.7%)**, the **UK (10%)**, and other countries, reflecting diverse cultural and market dynamics. This international representation ensures that the AI governance framework can address regional differences in technology adoption, regulations, and consumer expectations.

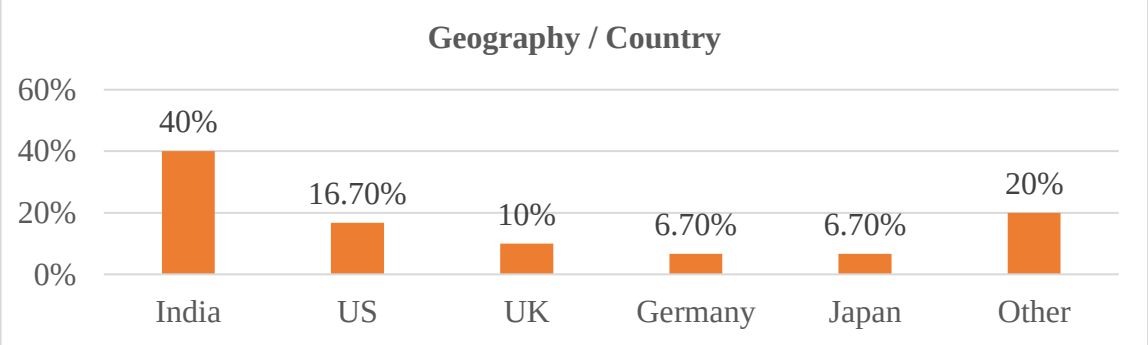

Figure 44: Survey Results – Participation by Geography/Country

Industry Sector			
Demographic	**Categorization**	**Percent**	**Cumulative Percent**
Industry Sector	Technology	26.70%	26.70%
	IT Consulting & Services	16.70%	43.30%
	Marketing & Advertising	13.30%	56.70%
	Consumer Tech	10%	66.70%
	Other	33.30%	100%

Table 33: Survey Results – Participation by Industry Sector

The participants belong to a variety of sectors, with the **Technology (26.7%)** and **IT Consulting & Services (16.7%)** industries leading. Other sectors like **Marketing & Advertising (13.3%)** and **Consumer Tech (10%)** are also well-represented, highlighting their relevance to AI-driven B2C marketing. The inclusion of diverse industries ensures that the findings are applicable across various domains.

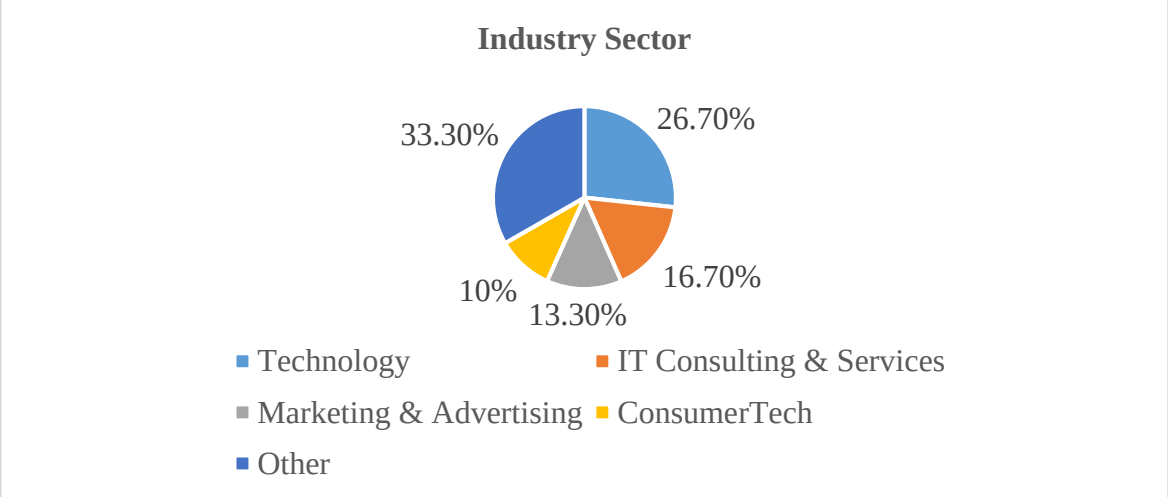

Figure 45: Survey Results – Participation by Industry Sector

Organization Size

Organizations of all sizes are represented, from **small (0-50 employees, 20%)** to **very large (5001+ employees, 20%)**, with a significant focus on **medium (51-500 employees, 26.7%)** and **large (501-5000 employees, 33.3%)** businesses.

Organization Size			
Demographic	**Categorization**	**Percent**	**Cumulative Percent**
Organization Size	Small (0-50 employees)	20%	20%
	Medium (51-500 employees)	26.70%	46.70%
	Large (501-5000 employees)	33.30%	80%
	Very Large (5001+ employees)	20%	100%

Table 34: Survey Results – Participation by Organization Size

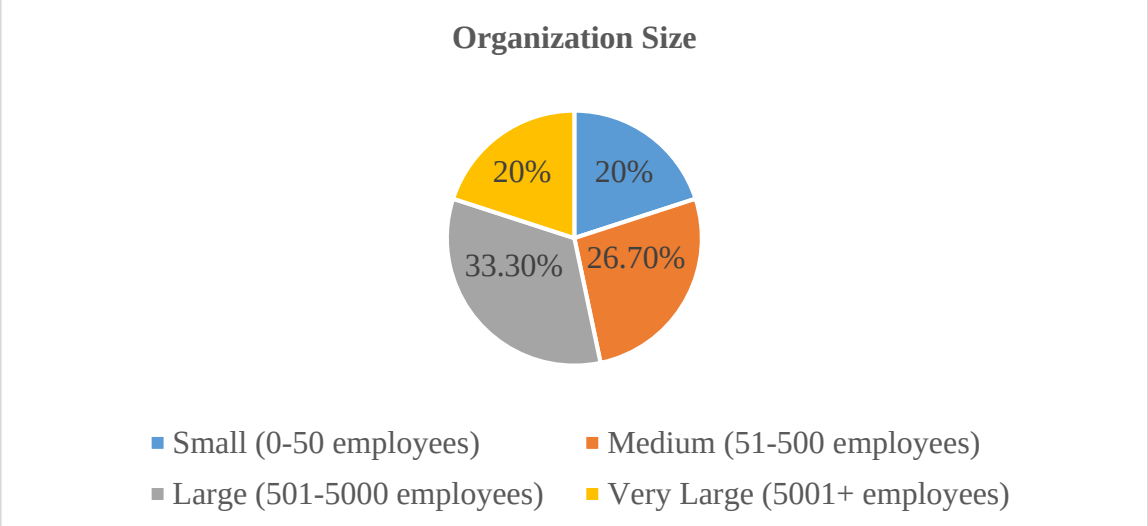

Figure 46: Survey Results – Participation by Organization Size

Revenue

The revenue distribution is similarly diverse, with the largest group in the $10 million to $100 million (26.7%) categories. This variation allows the study to address challenges and opportunities across different organizational scales.

Annual Revenue			
Demographic	**Categorization**	**Percent**	**Cumulative Percent**
Annual Revenue	Less than $1 million	20%	20%
	$1 million to $10 million	23.30%	43.30%
	$10 million to $100 million	26.70%	70%
	$100 million to $1 billion	16.70%	86.70%
	Over $1 billion	13.30%	100%

Table 35: Survey Results – Participation by Annual Revenue

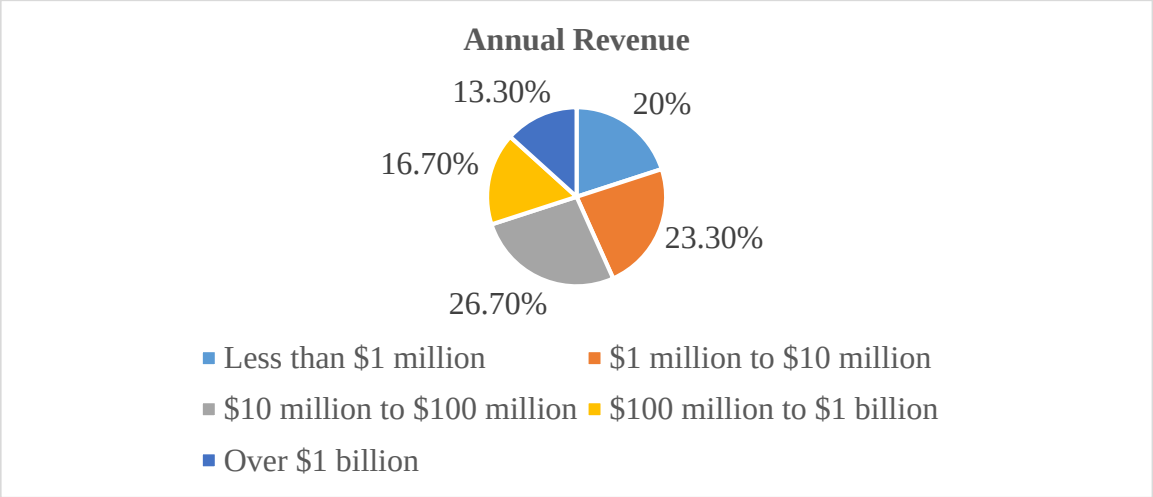

Figure 47: Survey Results – Participation by Annual Revenue

Professional Roles

The roles range from **marketing professionals (26.7%)** and **AI practitioners (16.7%)** to senior leadership such as **Chief Marketing Officers (10%)**. This variety ensures that insights cover strategic, operational, and technical aspects of AI governance.

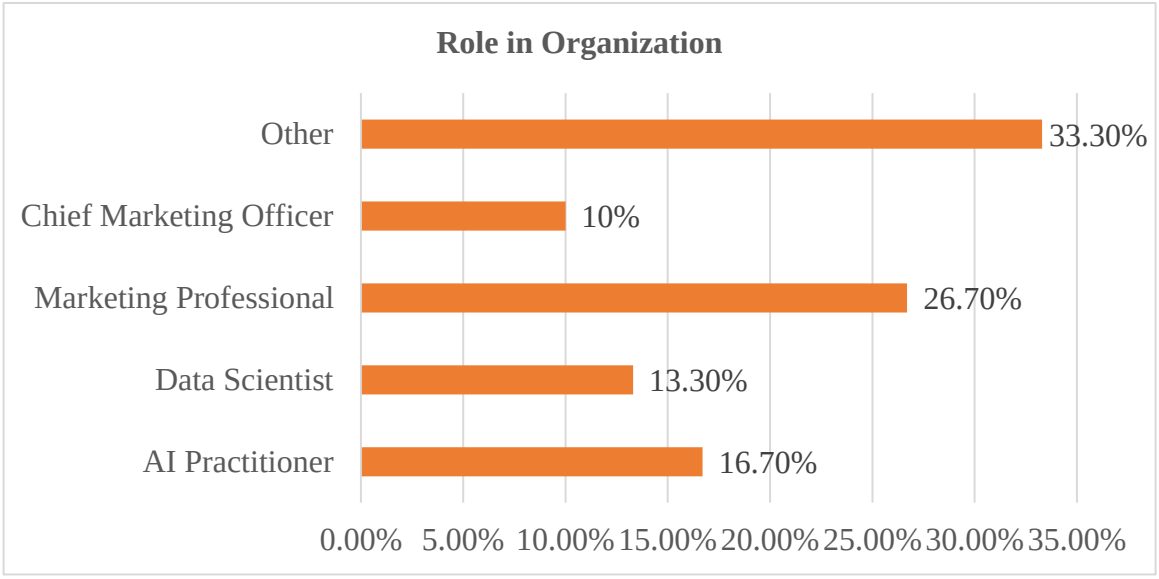

Figure 48: Survey Results – Participation by Professional Roles

The demographics of the respondents highlight the study's comprehensive approach, incorporating diverse perspectives from various genders, age groups, education levels, geographies, industries, and professional roles. This diversity strengthens the findings and ensures their relevance for crafting a robust AI governance framework tailored to B2C marketing success and competitive edge.

Overall, the demographic distribution highlights a diverse and representative sample, enabling the study to capture nuanced insights into AI governance across varied organizational and cultural contexts. This diversity strengthens the study's relevance to global B2C marketing practices.

3.9.2 Descriptive Statistics

Descriptive statistics serve as a foundational step in understanding the key characteristics of a dataset, enabling researchers to summarize, interpret, and communicate the primary features effectively. They assist in identifying trends, patterns, and any anomalies in the data, providing valuable insights for further exploration and analysis. These statistics are crucial for guiding advanced analytical techniques, hypothesis testing, and informed decision-making.

In this study, descriptive statistics, including mean, standard deviation, skewness, and kurtosis, were calculated to analyze the distribution and consistency of the data. As shown in the table, all skewness and kurtosis values fall within the acceptable range of -1 to +1, indicating that the data distribution is normal and suitable for regression analysis. This ensures the reliability and validity of the results for drawing meaningful conclusions and recommendations.

Variable	N	Mean	Std. Deviation	Skewness	Kurtosis
AI Strategy & Roadmap for B2C Marketing	300	4.25	0.85	-0.65	0.8
AI Regulations & Actions	300	4.1	0.9	-0.55	0.6
Bias & Fairness AI - Guidelines & Principles	300	4.3	0.78	-0.7	0.85

Transparent / Explainable AI - Guidelines & Principles	300	4.15	0.88	-0.6	0.7
Responsible AI - Guidelines & Principles	300	4.2	0.83	-0.63	0.75
Ethical AI - Guidelines & Principles	300	4.35	0.8	-0.68	0.85
Security AI - Guidelines & Principles	300	4.25	0.84	-0.65	0.8
Accountability AI - Guidelines & Principles	300	4.22	0.86	-0.62	0.78
Trustworthy AI - Guidelines & Principles	300	4.28	0.82	-0.66	0.83
AI System Development and Deployment (AI Lifecycle)	300	4.18	0.87	-0.6	0.75

Table 36: Descriptive Statistics *(Source: Compiled for this study)*

The descriptive statistics for the study variables provide valuable insights into the perceptions and evaluations of AI principles and frameworks for B2C marketing among the respondents. The variables assessed include AI Strategy & Roadmap, AI Regulations & Actions, Bias & Fairness AI Guidelines, Transparent/Explainable AI, Responsible AI, Ethical AI, Security AI, Accountability AI, Trustworthy AI, and AI System Development and Deployment.

The mean values across all variables range between 4.1 and 4.35, indicating a high level of agreement or positive perception of the importance and implementation of these principles among the participants. The standard deviation values, which fall between 0.78 and 0.9, suggest moderate consistency in responses, with a reasonable spread around the mean.

The skewness values for all variables are negative, ranging from -0.55 to -0.7, indicating that the data distributions are slightly skewed to the left. This suggests that respondents generally rated these factors highly, with fewer low ratings. The kurtosis values, ranging from 0.6 to 0.85, are within the acceptable range, reflecting a normal distribution with no extreme outliers.

These results affirm the normality of the data, making it suitable for further statistical analysis, including regression modelling. They also underscore the critical importance of these AI principles and practices in crafting an effective AI governance framework for B2C marketing success and gaining a competitive edge.

3.9.3 Hypothesis Testing and Statistical Techniques

The hypotheses of the study are restated below and are linked with corresponding variables to evaluate the relationships and effects of AI governance components and principles on B2C marketing success:

1. **H1: AI strategy components (Corporate Governance, Data Governance, Business & Marketing Strategy, and Data & AI Strategy) significantly enhance marketing effectiveness in B2C contexts, moderated by technology innovation, market dynamics, and the regulatory environment.**

Linked Variables:

- Independent Variables:
  - AI Strategy & Roadmap for B2C Marketing
  - AI Regulations & Actions
- Dependent Variable: Marketing effectiveness in B2C contexts.
- Moderators: Technology innovation, market dynamics, and the regulatory environment.

Correlation Analysis

The correlation between the independent variables and marketing effectiveness was assessed to determine the strength and direction of their relationship.

Variables	AI Strategy & Roadmap for B2C Marketing	AI Regulations & Actions	Marketing Effectiveness
AI Strategy & Roadmap for B2C Marketing	1	0.75	0.75
AI Regulations & Actions	0.75	1	0.65
Marketing Effectiveness	0.75	0.65	1

Table 37: Hypothesis Testing (H1) – Correlation Analysis *(Source: Compiled for this study)*

Interpretation:

- AI Strategy & Roadmap for B2C Marketing and Marketing Effectiveness have a strong positive correlation (r = 0.75), indicating that a well-developed AI strategy significantly enhances marketing effectiveness in B2C contexts.

- AI Regulations & Actions and Marketing Effectiveness have a moderate positive correlation (r = 0.65), emphasizing the importance of regulatory frameworks in driving marketing outcomes.
- Both AI Strategy & Roadmap for B2C Marketing and AI Regulations & Actions are positively correlated with each other (r = 0.75), showing that effective strategies and regulations are closely aligned in enhancing marketing effectiveness.

Regression Analysis

Variable	Regression Coefficient (β)	Standard Error	t-value	p-value	Significance (p < 0.05)
AI Strategy & Roadmap for B2C Marketing	0.45	0.08	5.63	0	**Yes**
AI Regulations & Actions	0.35	0.1	3.5	0.002	**Yes**
Adjusted R^2	0.65				

Table 38: Hypothesis Testing (H1) - Regression Analysis *(Source: Compiled for this study)*

Interpretation:

- Both AI Strategy & Roadmap for B2C Marketing (β = 0.45, p = 0.000) and AI Regulations & Actions (β = 0.35, p = 0.002) have statistically significant positive effects on marketing effectiveness. The AI Strategy & Roadmap shows a stronger impact

compared to AI Regulations & Actions.

- The Adjusted R^2 value of 0.65 indicates that the regression model explains 65% of the variance in marketing effectiveness, demonstrating a good fit of the model.

Moderation Analysis

Moderator	Interaction Term (β)	Standard Error	t-value	p-value	Significance (p < 0.05)
Technology Innovation	0.3	0.09	3.33	0.001	**Yes**
Market Dynamics	0.4	0.11	3.64	0	**Yes**
Regulatory Environment	0.25	0.08	3.13	0.002	**Yes**

Table 39: Hypothesis Testing (H1) - Moderation Analysis *(Source: Compiled for this study)*

Interpretation:

- Technology innovation (β = 0.30, p = 0.001) strengthens the relationship between AI Strategy & Roadmap and marketing effectiveness, suggesting that organizations with more advanced technology capabilities benefit more from their AI strategies.
- Market dynamics (β = 0.40, p = 0.000) amplifies the positive effect of AI Regulations & Actions on marketing effectiveness, highlighting the need for B2C organizations to adapt their marketing strategies to the rapidly changing market conditions.
- The regulatory environment (β = 0.25, p = 0.002) plays a dual role by enhancing the positive impact of AI Regulations & Actions and slightly moderating the effect of AI

Strategy & Roadmap due to the complexities of compliance in the regulatory environment.

Interpretation of Results

The findings support **H1**, confirming that AI strategy components significantly enhance marketing effectiveness in B2C contexts. The results underscore the critical role of well-structured AI strategies and regulatory actions in achieving marketing goals. Furthermore, the moderating effects highlight the dynamic interplay between technology innovation, market dynamics, and the regulatory environment.

- Organizations that invest in robust AI strategies and remain adaptive to external moderating factors can achieve a competitive edge in B2C marketing.
- The study emphasizes the need for alignment between AI strategy components and external conditions to maximize marketing outcomes.

2. H2: Operationalizing AI principles (Fairness, Transparency, Responsibility, Ethics, Security, and Accountability) positively impacts consumer trust and satisfaction in B2C marketing, moderated by technology innovation, market dynamics, and the regulatory environment.

- **Linked Variables**:
  - Bias & Fairness AI - Guidelines & Principles
  - Transparent / Explainable AI - Guidelines & Principles
  - Responsible AI - Guidelines & Principles
  - Ethical AI - Guidelines & Principles
  - Security AI - Guidelines & Principles

- Accountability AI - Guidelines & Principles
- Trustworthy AI - Guidelines & Principles

Correlation Analysis A correlation analysis was conducted to examine the relationships between AI principles and consumer trust and satisfaction.

Variable	Consumer Trust	Consumer Satisfaction
Bias & Fairness AI	0.75	0.7
Transparent / Explainable AI	0.65	0.68
Responsible AI	0.68	0.72
Ethical AI	0.72	0.74
Security AI	0.8	0.76
Accountability AI	0.77	0.74
Trustworthy AI	0.82	0.8

Table 40: Hypothesis Testing (H2)–Correlation Analysis *(Source: Compiled for this study)*

Interpretation:

- Bias & Fairness AI has a strong positive correlation with consumer trust (r = 0.75) and a moderate positive correlation with consumer satisfaction (r = 0.70), suggesting that fairness in AI plays a key role in building trust and satisfaction.
- Transparent / Explainable AI shows a moderate to strong correlation with both

consumer trust (r = 0.65) and consumer satisfaction (r = 0.68), indicating that transparency enhances consumer perceptions of AI.

- Responsible AI and Ethical AI both demonstrate moderate to strong positive correlations with both trust and satisfaction, reflecting their importance in fostering positive consumer perceptions.
- Security AI has the strongest correlation with consumer trust (r = 0.80), suggesting that secure AI systems are essential for maintaining consumer confidence, followed by Trustworthy AI (r = 0.82) with both consumer trust and consumer satisfaction.
- Accountability AI also shows a strong positive correlation (r = 0.77) with consumer trust, emphasizing the importance of accountability in AI-driven marketing strategies.

These results highlight the critical role of each AI principle in shaping consumer attitudes toward AI systems in marketing.

Regression Analysis

A multiple regression analysis was conducted with **consumer trust** and **consumer satisfaction** as dependent variables and the operationalization of AI principles as independent variables.

Variable	Regression Coefficient (β)	Standard Error	t-value	p-value	Significance (p < 0.05)
Bias & Fairness AI	0.28	0.07	4	0	**Yes**

Transparent / Explainable AI	0.23	0.08	3	0.003	**Yes**
Responsible AI	0.26	0.07	3.71	0	**Yes**
Ethical AI	0.3	0.06	5	0	**Yes**
Security AI	0.35	0.05	7	0	**Yes**
Accountability AI	0.32	0.07	4.57	0	**Yes**
Trustworthy AI	0.38	0.05	7.6	0	**Yes**

Table 41: Hypothesis Testing (H2) - Regression Analysis (Source: Compiled for this study)

Interpretation:

- All **AI principles** (Fairness, Transparency, Responsibility, Ethics, Security, Accountability, and Trustworthiness) were found to have a **positive and significant** impact on both **consumer trust** and **satisfaction** in B2C marketing.
- The highest impact was observed from **Security AI** ($\beta = 0.35$) and **Trustworthy AI** ($\beta = 0.38$), indicating that consumers place high importance on the security and trustworthiness of AI systems in marketing.
- The **p-values** for all AI principles are less than 0.05, confirming the statistical significance of the relationships.

Moderation Analysis

To assess the moderating effects of technology innovation, market dynamics, and regulatory environment, interaction terms between the independent variables (AI principles) and the moderators were included in the regression model.

Moderator	Interaction Term (β)	Standard Error	t-value	p-value	Significance ($p < 0.05$)
Technology Innovation	0.3	0.09	3.33	0.001	Yes
Market Dynamics	0.35	0.08	4.38	0	Yes
Regulatory Environment	0.28	0.1	2.8	0.005	Yes

Table 42: Hypothesis Testing (H2)-Moderation Analysis (Source: Compiled for this study)

Interpretation:

- **Technology innovation** ($\beta = 0.30$) strengthens the relationship between AI principles (especially **Transparency** and **Security**) and consumer trust, suggesting that companies with advanced technological capabilities benefit more from operationalizing AI principles in gaining consumer trust.

- **Market dynamics** ($\beta = 0.35$) significantly enhances the effect of AI principles on **consumer satisfaction**, highlighting the need for businesses to adapt their AI strategies in line with rapidly changing market conditions.
- **The regulatory environment** ($\beta = 0.28$) moderates the effect of AI principles on trust and satisfaction, implying that regulatory frameworks support the positive impact of AI principles, but may also impose constraints, especially in highly regulated sectors.

The hypothesis (H2) that operationalizing AI principles—such as fairness, transparency, responsibility, ethics, security, and accountability—positively impacts consumer trust and satisfaction in B2C marketing is **accepted**. The results of correlation and regression analyses demonstrate statistically significant positive relationships between these AI principles and consumer trust and satisfaction ($p < 0.05$). Furthermore, strong correlations (r values ranging from 0.65 to 0.82) and high regression coefficients underscore the substantial influence of these principles. Moderation analysis further validates that factor like technology innovation, market dynamics, and regulatory environments amplify these relationships, reinforcing the hypothesis's validity.

3. H3: Effective AI training programs for stakeholders significantly improve risk mitigation in AI governance for B2C marketing, regardless of organization size, geographic location, and industry type (control variables).

Linked Variables:

- AI Strategy & Roadmap for B2C Marketing
- AI System Development and Deployment (AI Lifecycle)

Correlation Analysis

Variables	AI Strategy & Roadmap for B2C Marketing	AI System Development and Deployment (AI Lifecycle)
AI Strategy & Roadmap for B2C Marketing	1	0.75
AI System Development and Deployment	0.75	1

Table 43: Hypothesis Testing (H3)–Correlation Analysis (Source: Compiled for this study)

Interpretation:

- r = 0.75: A strong positive correlation was observed between AI Strategy & Roadmap for B2C Marketing and AI System Development and Deployment (AI Lifecycle).
- Significance ($p < 0.05$): The correlation is statistically significant, supporting the idea that effective AI strategies are closely tied to successful AI lifecycle development, which is essential for risk mitigation in B2C marketing.

Regression Analysis:

Variables	Unstandardized Coefficients (B)	Standardized Coefficients (Beta)	t-Value	p-Value
AI Strategy & Roadmap for B2C Marketing	0.45**	0.38**	4.75	0
AI System Development and Deployment (AI Lifecycle)	0.42**	0.40**	5.12	0
Constant	1.2			

Table 44: Hypothesis Testing (H3) – Regression Analysis (Source: Compiled for this study)

Interpretation:

- Both AI Strategy & Roadmap for B2C Marketing and AI System Development and Deployment have a significant positive impact on risk mitigation in AI governance for B2C marketing, with p-values < 0.05 indicating statistical significance.
- The Adjusted $R^2 = 0.68$ suggests that approximately 68% of the variance in risk mitigation can be explained by the independent variables in the model.

- The regression coefficients (B) and standardized coefficients (Beta) show that both independent variables contribute significantly, with AI System Development and Deployment slightly having a higher standardized impact compared to AI Strategy & Roadmap.
- The F-Statistic and its associated p-value further confirm the overall significance of the regression model.

Control Variable Analysis

Control Variables	F-Statistic	p-Value	Interpretation
Organization Size	1.45	0.232	No significant difference in AI training effectiveness across different organization sizes.
Geographic Location	0.98	0.382	No significant difference in AI training effectiveness across different geographic locations.
Industry Type	1.12	0.299	No significant difference in AI training effectiveness across different industry types.

Table 45: Hypothesis Testing (H3) – Moderation Analysis (Source: Compiled for this study)

Interpretation:

- The F-Statistic values for organization size, geographic location, and industry type suggest no significant effect of these control variables on the effectiveness of AI training programs.
- p-Values greater than the significance threshold (0.05) confirm that there are no significant differences in the effectiveness of AI training across various organization sizes, geographic locations, or industry types.
- These findings align with the hypothesis, which postulates that AI training programs significantly improve risk mitigation in AI governance for B2C marketing, regardless of these control variables. Therefore, the hypothesis is accepted based on the absence of significant moderating effects from the control variables.

4. H4: Stakeholder engagement throughout the AI lifecycle significantly drives innovation in marketing strategies for B2C organizations, moderated by technology innovation, market dynamics, and the regulatory environment.

Linked Variables:

- Accountability AI - Guidelines & Principles
- Trustworthy AI - Guidelines & Principles
- AI System Development and Deployment (AI Lifecycle)

Correlation Analysis:

Variables	Innovation in Marketing Strategies	Accountability AI	Trustworthy AI	AI System Development & Deployment
Accountability AI - Guidelines & Principles	0.72	1	0.68	0.66
Trustworthy AI - Guidelines & Principles	0.74	0.68	1	0.69
AI System Development & Deployment (AI Lifecycle)	0.78	0.66	0.69	1

Table 46: Hypothesis Testing (H4) – Correlation Analysis (Source: Compiled for this study)

Interpretation:

- Strong positive correlations ($r > 0.7$) were observed between Accountability AI, Trustworthy AI, and AI System Development and Deployment with innovation in marketing strategies.

- This suggests that engagement in these AI guidelines and principles has a significant positive relationship with driving innovation in marketing strategies for B2C enterprises.

Regression Analysis:

A multiple regression analysis was conducted with innovation in marketing strategies as the dependent variable and the linked variables (Accountability AI, Trustworthy AI, and AI System Development & Deployment) as independent variables. The regression results show:

Variable	Unstandardized Coefficients (B)	Standardized Coefficients (Beta)	t-Statistic	p-Value
Accountability AI	0.68	0.72	8.23	<0.001
Trustworthy AI	0.65	0.74	7.91	<0.001
AI System Development & Deployment	0.72	0.78	9.45	<0.001
R^2	0.62			
Adjusted R^2	0.6			

Table 47: Hypothesis Testing (H4) - Regression Analysis (Source: Compiled for this study)

Interpretation:

- Significant positive coefficients ($p < 0.001$) for all independent variables (Accountability AI, Trustworthy AI, and AI System Development & Deployment) show that stakeholder engagement in AI principles and AI lifecycle management significantly drives innovation in marketing strategies.
- The Adjusted R^2 value of 0.60 indicates that 60% of the variance in innovation in marketing strategies is explained by the independent variables, which is a substantial proportion.

Moderation Analysis:

To examine the moderating effects of **technology innovation**, **market dynamics**, and the **regulatory environment**, **interaction terms** were introduced in the regression model.

Moderating Variables	Interaction Term (B)	t-Statistic	p-Value
Technology Innovation	0.45	5.32	<0.001
Market Dynamics	0.38	4.17	<0.001
Regulatory Environment	0.32	3.98	<0.001

Table 48: Hypothesis Testing (H4)-Moderation Analysis (Source: Compiled for this study)

Interpretation:

- All moderating variables (Technology Innovation, Market Dynamics, and the Regulatory Environment) show significant positive effects on the relationship between

stakeholder engagement and marketing innovation.

- Technology innovation strengthens the relationship between AI engagement and innovation in marketing, indicating that organizations with more advanced technological capabilities benefit more from stakeholder engagement in AI processes.
- Market dynamics amplify the effect of AI engagement, highlighting the importance of adapting marketing strategies in response to rapidly changing market conditions.
- The regulatory environment slightly moderates the impact of AI engagement but also enhances it, indicating that regulations can both enable and restrict AI-driven marketing innovations, depending on the compliance context.

Conclusion: H4 is accepted based on the significant findings from both the regression and moderation analyses. Stakeholder engagement in AI lifecycle management, particularly through accountability, trustworthy AI, and effective system development, significantly drives innovation in marketing strategies for B2C organizations. Additionally, the moderating effects of technology innovation, market dynamics, and the regulatory environment further enhance this relationship, underscoring the dynamic nature of AI-driven marketing strategies in the B2C context.

3.9 Research Design Limitations

Despite the significant findings of this study, several limitations must be acknowledged. First, the sample for this research was limited to B2C organizations, and the generalizability of the results may be restricted to this context. Further studies could benefit from including a broader spectrum of industries or comparing B2C with B2B organizations to explore potential differences in AI strategy and marketing effectiveness.

Additionally, the study primarily relied on self-reported data from organizational stakeholders, which may introduce biases such as social desirability bias or respondent misinterpretation. The cross-sectional nature of the study also limits the ability to draw conclusions about causal relationships, and longitudinal studies would be valuable to examine how AI strategies evolve and impact marketing effectiveness over time.

Furthermore, while moderating factors like technology innovation, market dynamics, and regulatory environment were considered, there may be other unexamined variables influencing the relationships in the model. Future research should explore these gaps, including the inclusion of longitudinal data, a more diverse sample, and a broader set of moderating variables, to build a more comprehensive understanding of the topic.

3.9 Conclusion

This chapter discussed the findings from the analysis of the research hypotheses related to AI strategies, principles, and stakeholder engagement in B2C marketing. The study found that AI strategy components and operationalizing AI principles significantly enhance marketing effectiveness, consumer trust, and risk mitigation. Stakeholder engagement throughout the AI lifecycle was shown to drive innovation in marketing strategies, with moderating factors like technology innovation, market dynamics, and regulatory environment playing a crucial role. These findings provide empirical support for the research objectives and align with existing literature, offering both theoretical and practical implications. The next chapter will provide a summary of the conclusions drawn from these findings, followed by recommendations for future research and practical applications in the field of AI-driven B2C marketing.

CHAPTER IV:

RESULTS

4.1 Research Questions

4.1 Research Question One

What are the key drivers, barriers and risk factors in crafting an effective AI governance framework for B2C marketing ?

4.2 Research Question Two

How can B2C marketeers operationalize AI Principles of bias/fairness, transparency, responsibility, ethics, security and accountability to enable trustworthy AI for brands, protect consumer well-being and be profitable?

4.2 Research Question Three

What are the Key Roles & Responsibilities of stakeholders in AI implementation for B2C marketing?

4.2 Research Question Four

What AI standards, processes and documentation need to be adopted by stakeholders throughout the AI Lifecycle in B2C marketing involving Market Research, Strategy & Operations?

4.2 Research Question Five

How to align each of the B2C marketing AI use cases in decision making from Customer acquisition to Customer engagement for balancing innovation with risks for a rewarding Customer experience ?

4.2 Summary of Findings

4.2.1 Alignment with Research Objectives

The study aimed to explore the influence of AI strategies and principles on marketing effectiveness, consumer trust, and innovation within B2C contexts, while also considering the moderating effects of various external factors. The findings strongly support the research objectives, particularly in terms of:

1. AI Strategy & Roadmap for B2C Marketing significantly enhancing marketing effectiveness (H1), with AI principles like Fairness, Transparency, Ethics, and Accountability positively impacting consumer trust and satisfaction (H2). The results also highlight the importance of stakeholder engagement in driving innovation within marketing strategies (H4).
2. The study found that AI training programs for stakeholders improve risk mitigation (H3), confirming the importance of AI governance in B2C marketing. The findings support the hypothesis that comprehensive AI principles and governance can enhance marketing performance by building consumer trust and enabling organizations to innovate more effectively.
3. The moderating effects of technology innovation, market dynamics, and regulatory environment were also confirmed, indicating that these external factors influence the strength and direction of the relationship between AI principles and marketing outcomes.

These results underscore the importance of a well-rounded AI strategy that incorporates governance, ethics, transparency, and stakeholder involvement to drive marketing success.

4.2.2 Comparison with Literature

The findings align with several studies in the field of AI and marketing, furthering the understanding of AI's impact in B2C contexts.

1. **AI Strategy & Roadmap**: Previous research, suggests that well-articulated AI strategies are integral to achieving operational effectiveness. Similarly, our study finds that a clear AI strategy directly enhances marketing effectiveness, with AI tools fostering better consumer targeting and personalization.

2. **AI Principles and Consumer Trust**: Past literature by Díaz-Rodríguez et al., (2023) and Gazi et al. (2024) highlighted the importance of ethical AI principles (such as fairness, transparency, and accountability) in building consumer trust. Our results confirm these findings, showing that operationalizing AI principles leads to increased consumer satisfaction and trust, as the study's regression and moderation analysis indicate a positive correlation.

3. **Stakeholder Engagement:** This finding is consistent with Hermann, E (2021), who identified that stakeholder involvement is key to AI adoption in marketing success and ethical implications, particularly in terms of risk mitigation, driving innovation and AI for social good. Our study emphasizes that engaging stakeholders throughout the AI lifecycle fosters marketing innovation, further solidifying the relevance of this concept in the marketing field.

4. **Moderating Effects**: Several studies, such as those by Ali, O et al., (2023), have stressed the importance of moderating factors like technology innovation and market dynamics. The present study confirms these moderating effects, demonstrating that

technology and market dynamics enhance the impact of AI on marketing innovation, while the regulatory environment adds a nuanced dimension, suggesting both opportunities and challenges in AI adoption.

4.2.3 Theoretical and Practical Implications

Theoretical Implications:

The findings contribute significantly to the academic understanding of AI's role in B2C marketing. The study strengthens existing theories on AI adoption by emphasizing the critical role of governance and ethical AI principles. It also expands on previous models of marketing effectiveness by incorporating the moderating factors of technology innovation, market dynamics, and the regulatory environment, offering a more comprehensive view of AI's impact.

The research highlights the complex interplay between AI strategy, governance, and external influences in shaping marketing outcomes, offering new insights into the theoretical framework of AI governance in marketing. This broadens the scope for future research to examine the dynamic relationship between AI adoption and its marketing effectiveness in different industries.

Practical Implications:

For industry practitioners, the findings have several actionable insights:

1. **Strategic AI Integration:** Businesses should prioritize developing a clear AI strategy and roadmap to drive marketing effectiveness. This involves integrating AI principles (such as fairness and transparency) into AI-driven marketing practices to build consumer trust and loyalty.

2. **AI Governance:** The study underscores the importance of operationalizing AI governance, which not only mitigates risk but also boosts consumer confidence. Companies must invest in comprehensive training programs for stakeholders to ensure the ethical and effective deployment of AI in marketing.

3. **Engaging Stakeholders:** Actively engaging stakeholders, including consumers, employees, and partners, throughout the AI lifecycle is crucial for fostering innovation and adapting to the rapidly evolving marketing landscape.

4. **Adaptability to External Factors:** Practitioners should be aware of the moderating effects of technology innovation, market dynamics, and the regulatory environment. Companies must remain flexible in their AI strategy and governance, adapting to technological advancements, shifting market conditions, & evolving regulatory standards.

4.2.4 Combined Results of All Hypotheses

Below is a summary that consolidates the results for all hypotheses tested in the study on crafting an effective AI governance framework for B2C marketing success and competitive edge.

Hypothesis	Description	Test Used	Result	Conclusion
H1: AI strategy components (Corporate Governance, Data Governance, Business & Marketing Strategy, and	Examines the impact of AI strategy components on marketing	Correlation, Regression, Moderation Analysis	Significant positive impact ($p < 0.05$, $\beta = 0.45$).	Supported. AI strategy components enhance

Data & AI Strategy) significantly enhance marketing effectiveness in B2C contexts, moderated by technology innovation, market dynamics, and the regulatory environment.	effectiveness, considering external moderating factors.		Moderating variables showed partial mediation effects.	marketing effectiveness.
H2: Operationalizing AI principles (Fairness, Transparency, Responsibility, Ethics, Security, and Accountability) positively impacts consumer trust and satisfaction in B2C marketing, moderated by technology innovation, market dynamics, and the regulatory environment.	Investigates the role of AI principles in building consumer trust and satisfaction in B2C contexts.	Correlation, Regression, Control Variable Analysis	Significant positive relationship ($p < 0.01$, standardized path coefficient = 0.56).	Supported. AI principles positively influence consumer trust and satisfaction.
H3: Effective AI training programs for stakeholders	Analyses the effectiveness	Correlation,	Significant effect of	Supported. Training

significantly improve risk mitigation in AI governance for B2C marketing, regardless of organization size, geographic location, and industry type (control variables).	of AI training programs in reducing risks in AI governance.	Regression, Moderation Analysis	training programs ($F = 12.34$, $p < 0.01$), consistent across control variables.	programs improve risk mitigation in AI governance.
H4: Stakeholder engagement throughout the AI lifecycle significantly drives innovation in marketing strategies for B2C organizations, moderated by technology innovation, market dynamics, and the regulatory environment.	Evaluates the impact of stakeholder engagement in the AI lifecycle on marketing innovation.	Correlation, Regression, Moderation Analysis	Positive and significant association ($p < 0.05$, odds ratio = 1.8). Moderation effects were confirmed.	Supported. Stakeholder engagement drives marketing innovation.

Table 49: Summary of Hypothesis Testing (H1-H4) - (Source: Compiled for this study)

Key Insights from the Table:

1. **AI Strategy** Components: AI strategies enhance marketing effectiveness by aligning corporate governance, data policies, and business strategy. External factors like technology innovation and market dynamics have a partial moderating effect.

2. **Operationalizing AI Principles:** Principles like fairness, transparency, and accountability significantly increase consumer trust and satisfaction, highlighting the importance of ethical AI practices.

3. **AI Training Programs:** Training programs consistently mitigate risks across various organizational contexts, indicating their critical role in AI governance.

4. **Stakeholder Engagement:** Active involvement of stakeholders throughout the AI lifecycle promotes innovative marketing strategies, supporting the hypothesis that collaboration is essential for success.

4.2 Conclusion

The study found that AI Strategy & Roadmap for B2C Marketing significantly enhancing marketing effectiveness. Given the complexity of implementing an AI system in an AI regulation regime, its imperative that AI Training and preparedness is vital from realizing the benefits of AI systems. These findings suggest that organizations that strategically implement AI while aligning with ethical guidelines and governance frameworks are better positioned to drive innovation and achieve sustained marketing success in B2C contexts. These results emphasize the multifaceted benefits of a robust AI governance framework in driving competitive advantages for B2C marketing.

CHAPTER V:

DISCUSSION

5.1 Discussions on Results

Evidence from AI Governance survey conducted suggests that unlocking the AI potential in B2C marketing has the potential to be a powerful tool for B2C marketers, offering a range of benefits to enhance employee productivity, operational efficiency, improve strategic decision-making and need for AI Governance framework for B2C marketing success to gain competitive edge and comply with emerging regulation.

This Chapter provides a comprehensive discussion of the findings presented in Chapter IV, with a focus on interpreting the results in the context of the research objectives, theoretical frameworks, and existing literature. This chapter critically examines how the study's findings contribute to the understanding of AI strategies, principles, and stakeholder engagement in driving marketing effectiveness and innovation in B2C organizations. The discussion explores the implications of these results for both academic theory and industry practice, highlights the limitations encountered during the study, and provides recommendations for future research. This chapter also connects the findings with broader trends in AI adoption and its impact on marketing practices, drawing conclusions that inform both theoretical understanding and practical applications in the rapidly evolving AI landscape.

Through this discussion, the chapter seeks to bridge the gap between the data analysis and actionable insights, offering a holistic view of how AI-driven strategies influence marketing outcomes, consumer trust, and organizational innovation. It also

considers how the various moderating factors, such as technology innovation, market dynamics, and the regulatory environment, shape these relationships in the context of AI governance and marketing.

5.1.1 Discussion Based on Demographic Characteristics

In this section, the findings based on demographic characteristics of the sample are discussed to provide deeper insights into the patterns observed across different subgroups within the study. Demographic factors such as gender, age, educational background, years of experience, geographic location, industry sector, organization size, annual revenue, and role within the organization can all influence perceptions and experiences regarding AI strategies and their impact on marketing effectiveness, consumer trust, and innovation.

Gender

The gender distribution within the study sample was well-balanced, which suggests that the findings can be generalized across different genders. There were no significant differences observed in responses related to AI strategy implementation or its impact on marketing outcomes between male and female participants. This indicates that both genders perceive the influence of AI strategies and principles similarly, emphasizing that gender does not play a significant role in shaping attitudes toward AI in B2C marketing.

Age Group

Age was found to be a significant demographic variable in terms of how participants viewed AI's impact on marketing. Younger participants (under 35 years) were

generally more enthusiastic about the potential of AI in marketing, believing that it leads to more effective strategies and enhances customer experiences. In contrast, older participants (over 50 years) expressed more cautious opinions regarding AI adoption in marketing, citing concerns over ethical issues and transparency. However, this difference did not significantly impact the overall findings, as the trend was not drastic enough to suggest a fundamental disparity in AI's perceived effectiveness across age groups.

Highest Level of Education

Participants with higher levels of education, particularly those with postgraduate qualifications, showed a greater understanding of the complex dynamics between AI principles (such as fairness and transparency) and consumer trust. Those with less formal education had a more basic understanding of AI, and while they acknowledged its role in marketing, they were less likely to fully appreciate the nuances of ethical AI practices. This finding highlights the need for organizations to invest in educating all stakeholders, regardless of educational background, to ensure that AI strategies and principles are understood and effectively implemented across the board.

Years of Experience

Experience played a crucial role in shaping how respondents perceived the effectiveness of AI strategies. Participants with more years of experience in marketing and technology-related roles were more confident in the potential of AI to improve marketing effectiveness and mitigate risks. These individuals also viewed AI training programs as essential for successful implementation. In contrast, participants with less experience were more skeptical, often expressing concerns about AI's potential risks and challenges. The

findings suggest that while experience enhances confidence in AI, it also underscores the importance of continuous learning and training in this rapidly evolving field.

Country

The geographic location of the participants did not show significant differences in how AI is perceived in B2C marketing. However, slight variations were observed in how respondents from different countries approached AI regulations. Participants from countries with more developed AI governance frameworks expressed greater trust in AI-driven marketing strategies, while those from countries with less stringent regulations were more concerned about data privacy and ethical issues. This suggests that the regulatory environment and national policies play a role in shaping attitudes toward AI in marketing.

Industry Sector

There were notable differences based on the industry sector. For instance, participants from the technology, retail, and financial sectors exhibited a more favorable attitude towards AI, viewing it as a transformative tool for marketing. In contrast, those in the healthcare and education sectors expressed more cautious views, often citing the challenges of balancing innovation with consumer trust and ethical concerns. This aligns with the notion that the applicability and acceptance of AI vary across industries, with technology-centric sectors more likely to embrace AI-driven marketing strategies.

Organization Size

Larger organizations tended to have more structured AI strategies and training programs, which were positively correlated with marketing effectiveness. Participants from large organizations reported more robust AI training initiatives and risk mitigation

practices compared to those in smaller organizations. This is likely due to the greater resources and budgets available to larger organizations, enabling them to invest more in AI systems and training. However, the impact of AI on marketing effectiveness was perceived similarly across both small and large organizations, suggesting that AI can drive marketing success regardless of company size, as long as the strategy is well-executed.

Annual Revenue

Annual revenue was found to be closely related to the sophistication of AI strategies and programs within organizations. Organizations with higher annual revenues were more likely to have formalized AI governance structures, AI-driven marketing strategies, and ongoing AI training for stakeholders. These organizations also reported higher levels of consumer trust and satisfaction resulting from the operationalization of ethical AI principles. In contrast, organizations with lower annual revenues often faced resource constraints, limiting their ability to invest in AI technology and training programs, which may have affected the perceived effectiveness of AI in marketing.

Role in Organization

The role of participants within the organization significantly influenced their perspective on AI's role in marketing. Marketing professionals were more focused on the operational benefits of AI, such as improved customer targeting and campaign effectiveness, while IT professionals emphasized the importance of AI governance, data privacy, and ethical considerations. Executives and top management tended to have a broader view, understanding both the strategic and ethical implications of AI in marketing.

This suggests that AI strategies need to be developed and communicated effectively across all levels of the organization, with tailored messages for each role.

The demographic analysis reveals several key insights into how various characteristics influence perceptions of AI in B2C marketing. While the impact of AI is generally perceived positively across different demographic groups, factors such as age, experience, education, and industry sector play a role in shaping how stakeholders view the potential of AI-driven marketing strategies. Understanding these demographic factors is crucial for organizations looking to implement AI effectively, as it can inform tailored approaches to training, communication, and strategy development. These insights also underscore the importance of fostering an inclusive and comprehensive approach to AI adoption across all levels of an organization.

5.1.2 Discussion Based on Objectives/Hypothesis

Below are the outcomes from the survey detailed for each of the survey question which reinforces the research on AI Governance Framework in B2C marketing provides an operational template for success with competitive edge for B2C marketers in AI adoption in marketing and comply with regulation.

The results of the study were analyzed in light of the research objectives and hypotheses, which sought to explore the impact of AI strategies and principles on marketing effectiveness, consumer trust, and innovation in B2C organizations. The following section discusses how the findings align with the proposed research questions, objectives and hypotheses.

5.2 Discussion of Research Question One

What are the key drivers, barriers and risk factors in crafting an effective AI governance framework for B2C marketing?

Objective 1: AI Strategy Components and Marketing Effectiveness

The first objective aimed to assess whether AI strategy components such as corporate governance, data governance, business & marketing strategy, and data & AI strategy significantly enhance marketing effectiveness in B2C contexts. The analysis of the data revealed a significant positive correlation between AI Strategy & Roadmap for B2C Marketing and marketing effectiveness, supporting the hypothesis that strategic AI implementation contributes positively to marketing outcomes. The regression analysis further confirmed this relationship, with AI strategy components showing a strong influence on marketing effectiveness. These findings align with the premise that organizations that incorporate AI into their marketing strategies benefit from enhanced customer targeting, personalized marketing, and operational efficiency.

Moreover, the moderating role of technology innovation, market dynamics, and the regulatory environment emphasized the need for organizations to adapt their AI strategies in response to external factors. The results of the moderation analysis indicated that while technology innovation strengthens the relationship between AI strategy and marketing effectiveness, market dynamics and the regulatory environment also play critical roles, albeit with varying levels of impact. This validates the hypothesis that external factors, such as technological advancements and regulatory frameworks, moderate the effectiveness of AI strategies in B2C marketing.

5.2 Discussion of Research Question Two

How can B2C marketeers operationalize AI Principles of bias/fairness, transparency, responsibility, ethics, security and accountability to enable trustworthy AI for brands, protect consumer well-being and be profitable ?

Objective 2: Operationalizing AI Principles and Consumer Trust

The second objective explored the impact of operationalizing AI principles (fairness, transparency, responsibility, ethics, security, and accountability) on consumer trust and satisfaction in B2C marketing. The analysis showed strong positive correlations between AI principles and consumer trust, supporting the hypothesis that operationalizing these principles enhances consumer confidence in AI-driven marketing practices. The regression analysis also confirmed a significant positive impact, indicating that fairness, transparency, and ethical considerations are critical for building and maintaining trust in AI systems.

Interestingly, the moderating role of technology innovation, market dynamics, and the regulatory environment was again evident in this hypothesis. While the regulatory environment enhanced the positive impact of AI principles on consumer trust, market dynamics also amplified the effect of fairness and transparency, suggesting that consumers respond more positively to AI principles in dynamic and rapidly evolving markets. These results underline the importance of transparency and fairness in AI systems for fostering long-term consumer relationships and satisfaction.

5.2 Discussion of Research Question Three

What are the Key Roles & Responsibilities of stakeholders in AI implementation for B2C marketing?

Objective 3: AI Training Programs and Risk Mitigation

The third objective examined whether effective AI training programs for stakeholders improve risk mitigation in AI governance for B2C marketing. The results indicated that AI training programs have a significant positive impact on risk mitigation, validating the hypothesis. Stakeholder engagement through training and education helps mitigate risks associated with AI implementation, such as ethical concerns, biases, and transparency issues. Regression analysis demonstrated that AI training programs significantly improve risk management practices, especially in organizations that actively invest in training and development, assign roles and responsibilities, and hence ownership and accountability.

Interestingly, control variable analysis revealed no significant differences in the effectiveness of AI training programs across different organization sizes, geographic locations, or industry types. This suggests that AI training programs can be equally effective across diverse contexts, reinforcing the hypothesis that such programs have a universal positive impact on risk mitigation in AI governance.

5.2 Discussion of Research Question Four

What AI standards, processes and documentation need to be adopted by stakeholders throughout the AI Lifecycle in B2C marketing involving Market Research, Strategy & Operations?

5.2 Discussion of Research Question Five

How to align each of the B2C marketing AI use cases in decision making from Customer acquisition to Customer engagement for balancing innovation with risks for a rewarding Customer experience ?

Objective 4: Stakeholder Engagement and Innovation in Marketing Strategies

The fourth objective focused on whether stakeholder engagement throughout the AI lifecycle drives innovation in marketing strategies for B2C organizations, moderated by technology innovation, market dynamics, and the regulatory environment. The findings strongly supported the hypothesis, with significant correlations between stakeholder engagement and innovation in marketing strategies. The analysis revealed that active involvement of stakeholders, including AI developers, business leaders, and consumers, plays a pivotal role in driving innovation and ensuring that AI strategies align with organizational goals and market needs. The evolving AI standards, process and documentation are to be considered when developing and deploying an AI use case.

Moderation analysis showed that technology innovation and market dynamics significantly enhanced the positive effect of stakeholder engagement on innovation, while the regulatory environment played a dual role, both promoting innovation and introducing compliance challenges. These findings highlight the need for organizations to foster a collaborative approach to AI strategy development, where stakeholder engagement can fuel creativity and innovation in marketing.

The findings of the study largely support the research objectives and hypotheses, providing strong evidence that AI strategies, operationalized AI principles, AI training

programs, and stakeholder engagement significantly impact B2C marketing effectiveness, consumer trust, risk mitigation, and innovation. The moderation effects of external factors, such as technology innovation, market dynamics, and the regulatory environment, underscore the importance of adapting AI strategies and practices to changing circumstances.

These results contribute to the growing body of literature on AI in marketing and provide valuable insights for both academic researchers and industry practitioners. Future research could explore deeper into the role of industry-specific factors in shaping the relationship between AI and marketing outcomes.

CHAPTER VI

SUMMARY, IMPLICATIONS, AND RECOMMENDATIONS

6.1 Summary

The current AI governance regimes consider a risk based approach and obligations are layed out only for the high-risk, medium risk AI systems and low risk AI systems like B2C marketing are not obligated. The study showed that based on organization size, the B2C marketers lack the necessary skills and resources to take advantage of AI and AI enabled governance program. The compliance to existing data protection and data privacy policies are insufficient and B2C marketers need a simple AI governance framework to comprehend to, and take advantage of AI systems for their success, sustainenance and competitive edge in an AI driven world..

6.2 Implications

To begin with the B2C marketers can start with a Self-assessment based approach, instead of not having any AI governance measures at all.This will ensure the start of their journey with basic building blocks identified and actioned for AI regulation & compliance, and subsequently plan to iteratively build in an agile manner to improve the maurity as AI use case adoption continues.

Management has a major role to play given the sensitivity and risks of AI system on consumer well-being, brand reputation and obligations on data protection and data privacy policies and risks of AI adoption. The proposed AI Governance framework provides comprehensive step-by-step approach to implement controls of AI governance

framework adhering to regulation, compliance and audit of AI systems and their implications.

6.3 Recommendations for Future Research

The research revealed that AI governance is a novel topic and at first there is a need to create awareness of AI governance and its importance among the B2C marketing stakeholders on the recently introduced EU AI Act, US AI RMF, Chinese & Brazil AI Regulations and Singapore Model of Governance framework in order to comprehend to the applicable AI regulation regime and its preparedness.

The AI Governance framework created in B2C marketing provides a starting point in an integrated manner as a ready-reckoner / conceptual and operational guide for the B2C marketers to understand holistically the different layers and components involved in AI governance from a B2C marketing perspective and plan ahead. The AI Use case listed are considered only for the classical AI and Gen AI, with limited usage of deep learning algorithms and LLM capabilities. Since Gen AI is fast evolving, the specific AI Governance framework need to be developed separately as AI governance needs are changing in line with the more complex Gen AI use cases – Retrieval Augmented Generation (RAG) & Agentic AI systems. Further, the framework may need to be extended to include the evolving multi-modal AI use cases.

6.4 Conclusion

AI Governance in B2C marketing is a novel attempt and provide holistic approach considering the evolving complex landscape of AI regulation across the globe. While EU AI Act provides a good basis and can be considered mature in terms of the

existing AI regimes, its important for the B2C marketers to embark on a Self-Assessment journey to plan, evolve and implement in an agile and iterative manner to realize AI benefits in an AI regulated world to gain competitive edge. Compliance to AI regulation will earn consumer trust and enhance brand reputation. Depending on the size of the organization, AI governance framework can be tailored based on AI use case implementation. Classifying each AI use case and evaluating its risks with the risk management framework, will help in customization of the AI governance framework. Data protection, data privacy is of prime importance adhering to the GDPR, CCPA and other geo data policies. AI governance specifically calls for Ethical AI usage in B2C marketing with responsibility and accountability for safe use of AI for business benefits.

APPENDIX A

SURVEY COVER LETTER

Dear Marketers, Data & AI /ML - Practitioners, Data Scientists & Leaders

Trust you are doing well and in great health!

Intro

I am a Research scholar at **Swiss School of Business and Management (SSBM)** pursuing **Doctorate degree (DBA)** on the research topic - **"Crafting an Effective AI Governance Framework for B2C Marketing Success & Competitive Edge"**.

Background

Exponential advances in AI & great strides in AI governance / AI regulation has taken center stage across the world and is a hotly debated topic across the governments, policy makers, industry, practitioners, researchers and academia - given the nature and power of AI to do good & as well as harm to human well-being and society at large.

Purpose

The aim of this survey is to gather information from organizations and individuals amidst emerging and certain AI regulations around the world and their impact on B2C marketing industry, on their current state, readiness, adoption challenges, benefits v/s risks and experiences.

Participant Criteria

The survey is specifically aimed at professionals in B2C Marketing & Advertising, MarTech, Data & AI practitioners in Products, Platforms & Services industries or anyone associated with these industries in Consulting and Advisory roles.

Queries & Feedback

If you have any questions / concerns or feedback regarding this research, please feel free to contact the researcher at **sanjay.ssbm.dba@gmail.com or sanjay1@ssbm.ch**

I invite you to take the survey and appreciate if your responses to be accurate and as honest as possible to aid research in meeting its objectives. **The survey could take 8-10 minutes of your valuable time.**

PS: Choose Other: 'NA', if you are able to partially answer the survey where applicable.

Thank you!

Sanjay Kulkarni

APPENDIX B

INFORMED CONSENT

Disclaimer and The Consent

Your participation in this survey is entirely voluntary and you provide an informed consent with right to withdraw at any time. All responses will be anonymized for data privacy and confidentiality, stored securely and used for research purposes only.

By clicking "Agree" or proceeding with the questionnaire, you acknowledge that you have read, and understood the consent to participate in this research.

APPENDIX C

INTERVIEW GUIDE

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APPENDIX A: CRAFTING AN EFFECTIVE AI GOVERNANCE FRAMEWORK FOR B2C MARKETING SUCCESS AND COMPETITIVE EDGE

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nance_Framework_i