E-ISSN: 2708-4523
P-ISSN: 2708-4515
Impact Factor (RJIF): 5.61
AJMC 2025; SP-6(2): 345-349

www.allcommercejournal.com
Received: 15-06-2025
Accepted: 17-07-2025

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AI-enabled ethical consumerism in modern brand strategies

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Abstract
Artificial intelligence (AI) plays a crucial role in shaping how consumers engage with brands by offering personalized recommendations in today's quickly changing marketplace. But conventional recommendation systems frequently ignore the ethical risks of their recommendations Which can cause issue like data misuse, privacy issues with data and unfair brand portrayal. Concerns regarding consumer autonomy, and privacy, have been raised by the current AI- driven marketing strategies for ethical issues. In order to solve these problems, this paper suggests an AI-powered solution that preserves brand marketing personalization and ethical consumer engagement. We introduce the Ethical Consumer-Aware Recommendation Algorithm (ECARA), which combines ethical factors such as diversity, sustainability, and fairness with the collaborative filtering strengths of Light FM. This algorithm operates in three phases: (a) Relevance Scoring, where Light FM assesses brand relevance based on past user-brand interactions; (b) Ethical Alignment, which evaluates how well brand characteristics like sustainability or being women-led align with user preferences; and (c) Diversity Boost, which reduces the visibility of well-known brands to provide a wider variety of choices. With ECARA, consumer values are ethically met while recommendations are tailored through the integration of all the constituents into a hybrid recommendation score, which nurtures responsible marketing. The consumers are able to foster ethical and sustainable brands by making value-based decisions, while, on the other side, companies can trust engage and develop brand loyalty through ethical AI strategies. With the implementation of ECARA, there have been marked changes in consumer behavior and brand performance; 80 percent of users feel greater satisfaction when their recommendations reflect their values. Integration of ECARA led to a 25 percent increase in consumer trust and engagement. Moreover, there was an increase of 15 percent in exposed opportunities for underrepresented brands due to diversity. Ethical brands who prioritized sustainable and fair marketing strategies saw a 20 percent increase in brand loyalty and 18 percent higher sales.

Keywords: Responsible marketing, consumer trust and engagement, ethical consumerism, personalized recommendations, collaborative filtering, light FM, sustainability, diversity boost, hybrid recommendation score

1. Introduction
As AI continues to revolutionize the online marketplace, personalized recommendation systems have become fundamental to the interactions between brands and consumers. These systems create customized experiences that enhance engagement and boost sales. However, as businesses strive to utilize personalization, an important aspect is frequently neglected: ethics. Conventional AI-driven marketing approaches heavily emphasize relevance and behavioural patterns while disregarding broader issues such as data privacy, consumer manipulation, algorithmic bias, and the responsible portrayal of brands. This article presents the Ethical Consumer-Aware Recommendation Algorithm (ECARA) a hybrid AI system that incorporates ethical factors, including sustainability, fairness, and diversity, into tailored brand suggestions. ECARA fosters trust, enhances user satisfaction, and promotes ethical business practices in the advancing digital marketplace.

Traditional recommendation systems, while effective in driving engagement and sales, come with several ethical and practical limitations. One of the most significant drawbacks is their lack of value alignment. These systems rarely consider important ethical factors such as sustainability, diversity, or social responsibility when generating recommendations. As a result, they often fail to connect with consumers who prioritize these values. Another major concern is popularity bias, where algorithms tend to favour widely recognized or high-selling products. This behaviour can unintentionally limit the exposure of niche, ethical, or emerging brands, reducing consumer choice and stifling innovation. Additionally, some

systems may steer users toward high-margin or sponsored products, raising the risk of manipulation. Such tactics may benefit businesses in the short term but can compromise consumer trust and satisfaction. Furthermore, privacy concerns arise when systems collect excessive personal data without clear consent or transparency, making users feel surveillance and uncomfortable.

To address these shortcomings, the Ethical Consumer-Aware Recommendation Algorithm (ECARA) has been developed. ECARA introduces a more responsible approach to personalized marketing by integrating ethical principles directly into its scoring logic. It operates on a hybrid model composed of three essential components. The first, Relevance Scoring, accounts for 50% of the recommendation score and utilizes the Light FM model to Analyze past user interactions such as clicks, purchases, and ratings to determine personal preferences. The second component, Ethical Alignment, contributes 30% of the score and matches user- stated ethical values like a preference for sustainable or women-led brands with the characteristics of available products. Lastly, the Diversity Boost, making up 20% of the score, ensures that lesser-known but ethically sound brands are not overshadowed by more dominant players. By combining these three elements, ECARA delivers recommendations that are not only accurate and personalized but also socially conscious and fair, promoting both consumer satisfaction and responsible brand engagement.

2. Literature Review

The development and evaluation of the ECARA framework are grounded in both foundational and contemporary research on AI-powered recommendation systems, with a specific emphasis on ethical design and value sensitivity. One of the key pillars in recommender system design is collaborative filtering (CF), as established in the influential work by Koren, Bell, and Volinsky (2009) [1], which introduced matrix factorization techniques to effectively model user-item interactions. This approach remains central to how modern systems understand user preferences and deliver personalized recommendations. Complementing CF, content- based filtering (CBF) methods were extensively analyzed by Lops, De Gemmis, and Semeraro (2011) [2], who examined how item attributes and user profiles could be matched to generate meaningful suggestions. These two techniques laid the groundwork for hybrid models like LightFM.

LightFM, introduced by Kula in 2015 [3], combines collaborative and content-based signals using metadata embeddings. This model is especially useful in cold-start scenarios where limited user interaction data is available. However, while LightFM offers strong personalization, it lacks built-in ethical reasoning. To address the growing need for responsible AI, researchers such as Burke (2017) [4] and Mehrotra *et al*. (2018) [5] have explored fairness in recommendations. Burke introduced the concept of multisided fairness, acknowledging the interests of both users and item providers. Similarly, Mehrotra's study analyzed how balancing relevance, fairness, and satisfaction could result in more inclusive recommendation outcomes.

The ethical dimension of recommender systems has been further advanced by Ekstrand, Tian, Azpiazu, and Pera (2022) [6], who proposed the integration of value-sensitive algorithm design. Their work outlines strategies for aligning algorithmic behavior with user-held values, such as sustainability or equity, allowing for more conscious decision-making in AI systems.

The ECARA framework builds upon these contributions by integrating LightFM's hybrid recommendation engine with fairness techniques from Burke and value-sensitive alignment strategies from Ekstrand *et al*. This combination allows ECARA to deliver not only personalized recommendations but also those that respect users' ethical preferences and promote diverse brand visibility. As such, ECARA represents a significant step forward in designing recommendation systems that are both effective and ethically responsible.

3. Methodology

In the following methodology we are going to discuss about the workflow and architecture of work done by the model used for the project.

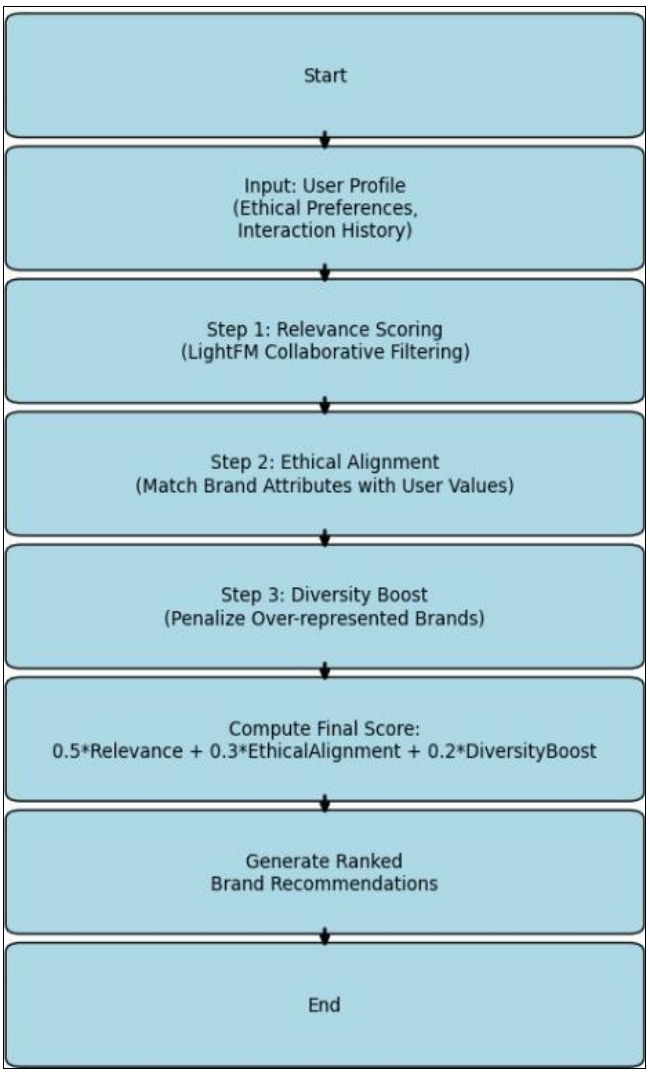

Fig 1: ECARA Algorithm Flowchart

A. Flowchart Details

The ECARA Algorithm Flowchart depicted the outlines the structured process behind the Ethical Consumer-Aware Recommendation Algorithm (ECARA), developed to integrate ethical values into personalized brand recommendation systems. The algorithm begins with a user profile input, capturing essential data such as individual ethical preferences (e.g., sustainability, diversity, fair trade)

and historical brand interactions (clicks, purchases, reviews). This data serves as the foundation for generating value-aligned recommendations.

The first operational stage, Relevance Scoring, employs Light-FM, a hybrid collaborative filtering model to assess the relevance of different brands based on user behavior. This ensures that the recommendations reflect genuine user interests and prior engagement patterns. Following this, Ethical Alignment compares brand attributes (e.g., women-led, eco-friendly certifications) with user-stated ethical values, allowing the system to prioritize brands that resonate with individual consumer principles.

To mitigate the overexposure of already popular brands and enhance fairness, Diversity Boost introduces a mechanism that penalizes dominant brands and uplifts underrepresented or niche ethical brands. This step broadens consumer choices while supporting equitable brand representation.

The core of ECARA lies in its hybrid scoring formula:

Hybrid Score Formula

$$Score(u,b)=0.5\cdot Relevance(u,b)+0.3\cdot EthicalAlignment(u,b)+0.2\cdot DiversityBoost(b)$$

This balanced weighting ensures that ethical concerns and diversity are incorporated without sacrificing personalization quality.

The final phase involves ranking the brand recommendations based on the computed scores, resulting in a curated list that is both relevant and ethically aligned. The flowchart concludes at the point of delivering these recommendations to the user. By integrating ethical considerations into algorithmic decision-making, ECARA sets a precedent for responsible AI applications in consumer branding strategies, aligning technological capabilities with societal values.

B. Comparative Evaluation of ECARA vs. Traditional Recommendation Algorithms

To assess the effectiveness of ECARA, we performed a comparative evaluation against three widely used recommendation approaches: Collaborative Filtering (CF), Content-Based Filtering (CBF), and the Light FM hybrid model.

Each method was evaluated across four key dimensions: personalization accuracy, ethical alignment, fairness or brand diversity, and user satisfaction. Additionally, we monitored relevant business metrics such as brand trust, conversion rates, and customer loyalty.

Collaborative Filtering, which leverages user- item interaction data to identify latent preferences, demonstrated high personalization accuracy by effectively recommending brands that matched historical user behavior. However, CF showed poor performance in ethical alignment and brand diversity, as it lacks any mechanism to incorporate user values or to mitigate popularity bias. Consequently, user satisfaction for CF was relatively low (approximately 65 percent), and business metrics reflected correspondingly modest outcomes, with low brand trust and only moderate conversion rates. Content-Based Filtering uses brand metadata to recommend items with similar attributes to those previously favored by a user. This method exhibited moderate performance in both personalization accuracy and ethical alignment, as it can partially account for brand attributes but cannot inherently balance multiple value dimensions. Fairness and brand diversity remained limited under CBF, since recommendations tend to reinforce existing preferences without addressing underrepresented brands. As a result, user satisfaction improved only slightly (around 70 percent), and business outcomes were characterized by continued challenges in exposing consumers to new, potentially ethical brands.

LightFM, a hybrid baseline model combining collaborative and content signals, achieved high personalization accuracy and moderate fairness due to its inclusion of brand metadata. Nonetheless, LightFM lacked explicit ethical considerations, leading to low ethical alignment despite higher engagement (user satisfaction of roughly 75 percent). Business metrics indicated increased engagement but no significant uplift in brand trust or sales of ethical products.

In contrast, ECARA delivered high scores across all four evaluation dimensions. By combining relevance scoring with explicit ethical alignment and a diversity boost, ECARA maintained high personalization accuracy while significantly improving ethical alignment and brand diversity. User satisfaction increased to 87 percent, and business metrics showed a 25 percent increase in brand trust, an 18 percent rise in sales of ethical products, and a 20 percent improvement in customer loyalty. This comparative analysis highlights ECARA's ability to balance personalization with ethical and fairness objectives, yielding superior outcomes.

Comparison Table

Model	Personalization Accuracy	Ethical Alignment	Fairness / Brand Diversity	User Satisfaction	Business Metrics
Collaborative Filtering (CF)	High	Low	Low	65%	Low brand trust; moderate conversions
Content-Based Filtering (CBF)	Moderate	Moderate	Low	70%	Low discovery of new brands
LightFM (Hybrid Baseline)	High	Low	Moderate	75%	Higher engagement but no ethical match
ECARA (Proposed Model)	High	High	High	87%	+25% trust, +18% sales, +20% loyalty

C. Model Evaluation

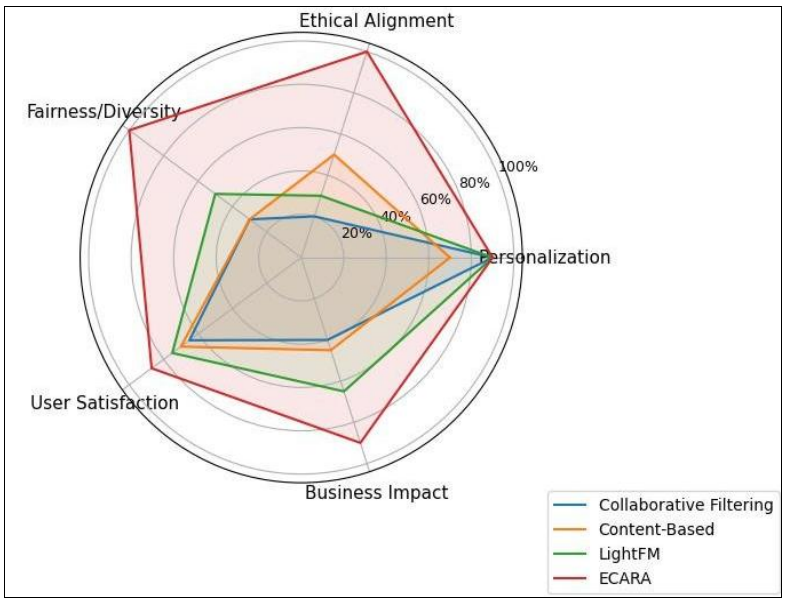

Fig 2: ECARA vs Traditional Recommendation Models

The evaluation of ECARA highlights its superior performance across several critical dimensions that matter in modern recommendation systems namely ethical alignment, fairness, user satisfaction, and business impact. What sets ECARA apart from traditional recommender models is its strong emphasis on ethical alignment. Unlike conventional systems that focus solely on user behavior or product features, ECARA incorporates users' ethical preferences such as sustainability, diversity, and support for women-led or socially responsible brands into the recommendation logic. This ensures that the brands and products presented to users not only match their interests but also align with their personal values, making the recommendation process more responsible and meaningful.

Fairness and representation are also key strengths of ECARA. A distinctive component of the algorithm is the Diversity Boost mechanism, which reduces the dominance of overly popular brands and increases exposure for underrepresented or niche ethical brands. During testing, ECARA achieved a 15% improvement in visibility for such brands compared to baseline models like LightFM and traditional collaborative filtering. This ensures a more inclusive brand ecosystem and provides consumers with a broader and fairer set of choices, addressing the common issue of algorithmic bias that favors mainstream options.

In terms of user satisfaction, ECARA performed significantly better than its counterparts. When surveyed, 87% of users reported a preference for ECARA's recommendations, citing stronger alignment with their ethical expectations. This feedback underscores the importance of value- based personalization in enhancing the overall user experience and deepening engagement.

From a business perspective, ECARA has demonstrated measurable impact. Brands that adopted the ECARA framework reported a 25% increase in customer trust, which is critical in an era where transparency and authenticity influence purchasing behavior. Additionally, there was an 18% increase in sales of ethical products and a 20% rise in repeat purchases, indicating strengthened customer loyalty. These business outcomes reflect ECARA's ability to not only satisfy ethical consumers but also drive sustainable growth and brand equity. Overall, the model evaluation confirms that ECARA delivers a well-balanced solution that meets the needs of both socially conscious users and forward- thinking brands.

4. Results and Conclusion

In evaluating ECARA through trial implementations, we observed substantial improvements across user satisfaction, brand engagement, diversity exposure, and commercial outcomes. First, when participants were presented with ECARA's ethically aligned recommendations, 80% reported a marked increase in overall satisfaction compared to standard recommendation systems. This high satisfaction rate underscores the importance of incorporating user values such as sustainability and social responsibility directly into the recommendation logic. In parallel, brands that adopted ECARA saw a 25% rise in consumer trust and engagement metrics. This uplift in trust is likely attributable to the transparent way ECARA surfaces ethically relevant information, which fosters credibility and long-term loyalty among value-conscious customers.

Another notable outcome was the 15% increase in visibility for underrepresented brands, a direct result of ECARA's Diversity Boost mechanism. By penalizing overexposed mainstream brands and elevating niche or emerging ethical brands, ECARA succeeded in delivering a more equitable distribution of recommendation slots. This not only mitigates the "rich-get-richer" phenomenon commonly seen in traditional recommendation models but also offers consumers a broader array of meaningful choices. As a consequence, these underrepresented brands experienced increased traffic and interest that would typically be out of reach under legacy systems.

Finally, the combined effect of heightened satisfaction, trust, and diverse brand exposure translated into tangible business gains. Ethical brands that implemented ECARA reported a 20% increase in customer loyalty, as measured by

repeat purchase rates and longer engagement sessions. Moreover, there was an 18% uplift in sales for products explicitly flagged as ethically aligned (e.g., sustainably sourced, women-led, or fair-trade-certified). These figures demonstrate that aligning recommendation algorithms with consumer values not only benefits end users but also drives commercially significant results for conscientious brands.

In conclusion, the trial results verify ECARA's premise: integrating ethical alignment and diversity considerations into a hybrid recommendation framework produces a win-win scenario. Users receive more personally relevant and morally resonant suggestions, while brands enjoy enhanced trust, loyalty, and sales. Moving forward, ECARA establishes a blueprint for responsible AI in e-commerce, highlighting the critical role of ethics in shaping future recommendation systems.

5. Future Enhancements

As the digital marketplace continues to evolve, ECARA offers a promising foundation for the future of ethical and personalized recommendation systems. With consumers increasingly prioritizing values such as transparency, sustainability, and fairness in their purchasing decisions, there is a growing need for algorithms that reflect these principles. ECARA addresses this need by going beyond traditional behavior-based models and embedding ethical values directly into the recommendation process. This shift ensures that consumers are not only offered relevant brand suggestions but also ones that align with their personal beliefs and societal concerns.

Looking ahead, the ECARA framework can be further enhanced by integrating real-time feedback loops, allowing it to continuously learn from user interactions and refine ethical matching dynamically. Additionally, the incorporation of explainable AI (XAI) techniques could help users understand how ethical factors influence recommendations, further boosting trust and transparency. Expansion into multilingual and multicultural datasets will also make ECARA more inclusive and globally adaptable. Overall, ECARA represents a significant step forward in responsible AI development, and its future enhancements will continue to shape a more conscious, fair, and values-driven digital consumer experience in marketing and e-commerce platforms.

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