

The Privacy Paradox in Luxury Tourism: AI Personalization and Tourist Trust in Indonesian Premium Destinations

Original Article

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Abstract

The evolution of luxury tourism from material-oriented consumption toward transformative and experiential value has intensified the importance of understanding tourists' psychological motivations and digital trust in exclusive destinations. Indonesia possesses exceptional cultural and natural assets for luxury tourism; however, research exploring luxury tourist behavior and AI-mediated digital trust within the Indonesian context remains highly limited. This study addresses this gap by investigating the psychological motivations of luxury tourists and examining how AI-driven personalization shapes digital trust and privacy perceptions. Using an exploratory qualitative case study approach, data were collected through semi-structured in-depth interviews with 20 international luxury tourists who had visited exclusive destinations in Indonesia, including Bali, Yogyakarta, Lombok, and Komodo. Thematic analysis revealed four dominant motivational themes: authentic cultural immersion, status affirmation and social signaling, psychological restoration, and transformative self-discovery. The findings also identified a significant "Privacy Paradox," where tourists simultaneously value AI-based personalized services while expressing concerns regarding data surveillance and privacy intrusion. The study concludes that digital trust in luxury tourism is dynamically negotiated through perceived usefulness, emotional value, and transparency in data governance. Ethical AI implementation and transparent personalization strategies are therefore essential for sustaining long-term trust and competitiveness in Indonesia's luxury tourism sector.

Keywords: Luxury Tourism, Psychological Motivation, Digital Trust, Artificial Intelligence, Indonesia

1. Introduction

The conceptualisation of luxury in contemporary tourism scholarship has undergone a decisive epistemological transformation. Where early frameworks equated luxury with tangible opulence, five-star accommodation, private transfers, and Michelin-starred cuisine, the prevailing discourse now foregrounds intangible, experiential, and deeply personal dimensions of value (Correia et al., 2020). Luxury travellers increasingly seek not the possession of material goods but the accumulation of unique, emotionally charged narratives that affirm their identity, satisfy their curiosity, and foster genuine human connections. This shift compels tourism scholars and destination managers alike to rethink the foundational assumptions that have historically guided premium hospitality strategy.

Against this backdrop, Indonesia presents a paradoxical case. The archipelago commands extraordinary natural and cultural capital from the terraced rice fields of Bali to the ancient temples of Yogyakarta and the pristine coral gardens of Raja Ampat, yet its representation within the international luxury tourism literature remains strikingly sparse. A systematic bibliometric analysis conducted by Sudarsono and Haq (2025) reveals that across a twenty-five-year research horizon, a single Scopus-indexed publication explicitly addressed



luxury tourism in Indonesia. This lacuna is particularly consequential in the digital age, where AI-driven personalisation, social media influence, and online reputation systems increasingly govern tourist perception and destination choice.

Understanding the "why" behind luxury tourist decision-making demands methodological approaches capable of capturing the nuanced, latent, and often contradictory nature of human motivation. Quantitative surveys, however sophisticated, tend to reduce complex phenomenological experiences to numerical proxies, obscuring the lived meanings that travellers assign to destination encounters (Peixoto et al., 2024). Qualitative inquiry, by contrast, creates the discursive space necessary for participants to articulate desires, fears, aspirations, and value hierarchies in their own terms. This study, therefore, adopts an exploratory qualitative design to examine two interrelated questions: first, what psychological motivations drive high-net-worth individuals to select exclusive Indonesian destinations; and second, how digital trust, particularly regarding AI-mediated personalisation, shapes or disrupts the luxury tourist experience. By addressing these questions, the present study contributes to a nascent but critically important body of Indonesian luxury tourism research and offers actionable managerial guidance for destination operators navigating the post-pandemic digital landscape.

2. Literature Review

The theoretical architecture of this study integrates three complementary strands of scholarship: the Stimulus-Organism-Response (S-O-R) framework as applied to digital tourism contexts, the emerging literature on AI-mediated personalisation and consumer trust, and destination resilience theory as a contextual lens for understanding luxury tourism in an era of recurring global disruptions.

2.1. Stimulus-Organism-Response Framework in Digital Tourism

The S-O-R framework, originally proposed by Mehrabian and Russell (1974) and subsequently adapted extensively within consumer behaviour research, posits that environmental stimuli trigger internal organismic states, including cognitive evaluations, emotional responses, and attitudinal formations, which in turn produce behavioural responses such as purchase intention or destination selection. Within the context of social media-driven luxury tourism, the stimulus layer encompasses AI-curated content, including targeted destination imagery, influencer endorsements, and personalised travel recommendations (Sharma & Paswan, 2025). Research demonstrates that the algorithmic curation of visually rich, aspirationally coded content on platforms such as Instagram can profoundly influence the emotional arousal and cognitive appraisal processes of prospective luxury travellers, ultimately translating into booking intentions (Wang et al., 2025). Critically, the organism layer encompassing the psychological states of the tourist acts as an active interpretive filter rather than a passive conduit, assigning meaning to digital stimuli on the basis of prior experience, cultural identity, and personal values (Sharma & Paswan, 2025). This dynamic renders the S-O-R framework particularly well-suited to the study of luxury tourism motivation, where subjective meaning-making is paramount.

2.2. AI Personalisation and Digital Trust

Artificial intelligence has emerged as a transformative force in contemporary digital marketing, enabling unprecedented levels of consumer personalisation through data-driven profiling, predictive analytics, and real-time content adaptation (Morales-Munoz et al., 2026). Within tourism, AI applications span algorithmic recommendation engines, chatbot-enabled concierge services, dynamic pricing models, and sentiment-driven itinerary curation. However, the expanding capacity of AI systems to collect, analyse, and monetise consumer data introduces significant ethical tensions, particularly among luxury travellers who place a premium value on privacy, discretion, and control over their personal narrative (Cloarec et al., 2024). Cloarec et al. (2024) articulate this dynamic through the concept of the "transformative privacy calculus," a decision-making schema in which consumers continuously weigh the perceived benefits of hyper-personalised service against the psychological costs of surveillance and data exposure. The resultant "Privacy Paradox" wherein individuals simultaneously desire personalisation and resist the data collection that enables it constitutes a central theoretical tension that this study empirically interrogates within the Indonesian luxury tourism context. Morales-Munoz et al. (2026) further document that consumer trust functions as the critical mediating variable in this calculus: where trust in the AI provider is high, personalisation is welcomed; where trust is absent or ambiguous, the same personalisation triggers reactance and withdrawal.

2.3. Destination Resilience and Luxury Tourism

The concept of destination resilience has gained considerable scholarly traction in the aftermath of the COVID-19 pandemic, which exposed the structural vulnerabilities of tourism-dependent economies worldwide. Reklitis et al. (2025) define destination resilience as the systemic capacity of a tourism locale to absorb disruption signals, whether epidemiological, geopolitical, or environmental, while maintaining operational continuity, repositioning its brand identity, and adapting its service offering to evolving consumer expectations. For luxury destinations, resilience carries additional dimensions: the imperative to protect brand exclusivity during periods of mass tourism decline, to leverage digital channels for maintaining emotional engagement with high-value travellers, and to communicate safety and authenticity in ways that resonate with the psychographic profile of the premium segment. Indonesia, as an archipelagic nation subject to seismic activity, volcanic events, and periodic political instability, has experienced the consequences of resilience failures at a destination level. Understanding how luxury travellers process and respond to crisis signals within Indonesian digital communication contexts is therefore an integral component of this study's analytical scope.

2.4. Luxury Tourism in Indonesia: A Research Gap

The bibliometric findings of Sudarsono and Haq (2025) confirm that luxury tourism scholarship in Indonesia constitutes what the authors term an "intellectual frontier": a domain of substantial practical importance that remains almost entirely uncharted in peer-reviewed literature. This gap is particularly acute with respect to the motivational psychology of the Indonesian luxury tourist segment, the role of AI-driven digital media in shaping destination perception, and the interplay between cultural authenticity and technological innovation in premium hospitality delivery. The present study directly addresses this tripartite gap, drawing on primary qualitative data to generate theoretically grounded, empirically substantiated insights with direct relevance for both academic scholarship and industry practice.

3. Methods

This study adopts an exploratory qualitative research design grounded in the case study tradition, which Sudarsono and Haq (2025) identify as the most prevalent methodological approach within existing luxury tourism scholarship. The case study paradigm is epistemologically appropriate for phenomena characterised by contextual specificity, complexity, and the primacy of participant-constructed meaning qualities that are intrinsic to the study of luxury tourist motivation and digital trust. Indonesia's premium tourism corridor, encompassing Bali, Yogyakarta, Lombok, and the Komodo archipelago, constitutes the bounded empirical context within which this investigation is situated.

3.1. Sampling Strategy and Participant Recruitment

Purposive sampling was employed to recruit participants meeting pre-defined eligibility criteria: (a) a minimum annual expenditure of USD 10,000 on international leisure travel; (b) at least one verifiable experience of luxury tourism at an Indonesian destination within the preceding three years; and (c) demonstrated engagement with digital travel platforms, including social media, AI-powered booking engines, or personalised concierge applications (Cloarec et al., 2024). Recruitment proceeded through two primary channels: partnership with five-star hotel concierge services in Seminyak, Bali, and Ubud, and purposive outreach via exclusive travel communities on LinkedIn and private digital forums. The final sample comprised twenty participants spanning a range of national origins, including Australia, Japan, the Netherlands, Singapore, the United Arab Emirates, and the United States, achieving saturation within the dominant thematic categories at participant seventeen, with three additional interviews conducted to confirm analytical sufficiency. The sample size aligns with the recommended range of fifteen to thirty-two participants for exploratory qualitative studies of this nature (Cloarec et al., 2024).

3.2. Data Collection Procedure

Data were collected through semi-structured, in-depth interviews conducted across a twelve-week fieldwork period. Each interview lasted between sixty and ninety minutes and was conducted either in person at the participant's luxury accommodation in Indonesia or via secure video conferencing for those interviewed prior to or following their stay. An interview guide comprising twenty-three open-ended questions was developed iteratively, drawing on the theoretical frameworks outlined in the literature review. Questions explored participants' motivational drivers, their engagement with AI-powered personalisation services, their attitudes toward data privacy, and their perceptions of Indonesian destination authenticity and exclusivity. All interviews were audio-recorded with explicit informed consent, professionally transcribed verbatim, and verified for accuracy by a bilingual research assistant. The study adhered to institutional ethical protocols governing participant anonymity, data storage, and voluntary participation. As Sykora et al. (2022) emphasise, the capacity of in-depth interview methodology to elicit the emotional nuance, tacit knowledge, and subjective meaning-making inherent in luxury tourism experience is fundamentally superior to the algorithmic pattern-recognition capacities of AI-based text analysis tools, which remain limited in their ability to detect irony, cultural subtext, or the embodied dimensions of touristic experience.

3.3. Data Analysis

Thematic analysis was conducted manually following the six-phase framework established by Braun and Clarke (2006): familiarisation with the data corpus, systematic generation of initial codes, search for overarching themes, review of candidate themes, definition and naming of final themes, and production of the analytical report. Two

independent coders processed all twenty transcripts, with intercoder reliability assessed through Cohen's Kappa ($k = 0.81$), exceeding the threshold of 0.80 conventionally accepted as indicative of strong agreement. Divergences were resolved through iterative consensus discussion. The deliberate adoption of manual rather than software-assisted thematic analysis reflects the theoretical commitment of this study to preserving the contextual sensitivity and interpretive depth that characterise qualitative inquiry at its most rigorous (Sykora et al., 2022). NVivo and analogous qualitative data analysis software, while operationally efficient, risk imposing categorical structure on data that is inherently fluid, processual, and meaning-laden.

4. Results and Discussion

Thematic analysis of the twenty interview transcripts yielded four primary thematic clusters, each encompassing a set of constituent sub-themes. These are presented systematically in Table 1 and elaborated discursively in the sections that follow. Participant quotations are anonymised using alphanumeric codes (P1-P20) to preserve confidentiality.

Table 1. Thematic Framework: Psychological Motivations and Digital Trust in Indonesian Luxury Tourism

Theme	Sub-theme	Representative Quotation	Participant	Frequency (n=20)
1. Authentic Cultural Immersion	Spiritual Connectivity	"I wanted to feel the soul of Bali, not a sanitised version of it." (P3)		18
	Heritage & Craft Discovery	"Meeting the batik artisan in Yogyakarta was worth the entire trip." (P11)		15
2. Status Affirmation & Social Signalling	Aspirational Identity Validation	"Staying at the private villa signals who I am to people who matter." (P7)		17
	Exclusivity Seeking	"I book through boutique operators precisely because mass tourists cannot access the same experience." (P14)		14
3. Psychological Restoration	Digital Desire	Detox "I wanted to disconnect. Paradoxically, I booked through an AI platform." (P2)		16
	Sensory & Emotional Renewal	"The sound of the ocean from the infinity pool was genuinely restorative." (P9)		19
4. Transformative Self-Discovery	Personal Growth Narrative	"I returned different. That's what luxury means now." (P17)		13
	Existential Meaning-Making	"The retreat changed my relationship with silence and solitude." (P20)		11

4.1. Theme 1: Authentic Cultural Immersion

The dominant motivational driver identified across eighteen of the twenty participants was the desire for authentic cultural immersion, an experiential quality that participants consistently distinguished from the performative authenticity staged for mass tourism consumption. Participants sought access to sacred ceremonies, artisanal craft traditions, culinary heritage, and landscapes perceived as uncontaminated by commercialisation. This finding corroborates the broader theoretical proposition advanced by Yusuf (2023), who argues that in the post-pandemic luxury tourism landscape, authentic emotional connection constitutes a more powerful driver of destination loyalty than aggressive promotional

communication or technology-led service enhancement. Critically, the authenticity sought by participants was not static or historically frozen but was understood as a dynamic, relational quality, something co-created through respectful encounter between traveller and host community. Participants who perceived digital platforms, including AI-curated content, as capable of facilitating such encounters reported higher levels of pre-travel enthusiasm and post-travel satisfaction.

4.2. Theme 2: Status Affirmation and Social Signalling

Seventeen participants articulated motivations rooted in status affirmation and social signalling, though the manner in which these motivations were expressed varied considerably across cultural and demographic sub-groups. For participants from East Asian markets, status signalling was primarily directed inward toward familial and professional peer networks and was expressed through the selection of recognisable luxury brand accommodations. For European and Australian participants, status affirmation was more frequently expressed through the exclusivity of access: the ability to reach remote destinations, secure invitations to private events, or engage with cultural experiences unavailable to unguided travellers. This bifurcation in status-signalling modality suggests that AI personalisation strategies must be culturally calibrated rather than uniformly applied, a recommendation that aligns with the consumer behaviour findings of Morales-Munoz et al. (2026).

4.3. Theme 3: The Privacy Paradox in AI-Mediated Luxury Tourism

A particularly salient and theoretically generative finding concerns the Privacy Paradox, a dynamic identified across sixteen of the twenty participants. Without exception, participants reported both relying heavily on AI-powered digital platforms, including algorithmic recommendation engines, personalised booking interfaces, and predictive concierge services, and experiencing significant discomfort with the data collection practices that enable these services. This tension, conceptualised by Cloarec et al. (2024) as the transformative privacy calculus, manifested in participant accounts as a kind of cognitive dissonance: a simultaneous desire for personalised service and a felt sense of vulnerability before the opaque intelligence systems that deliver it. Participant P2 captured this paradox with particular lucidity: "I wanted to disconnect. Paradoxically, I booked through an AI platform that knew exactly what I needed before I did." The managerial implication of this finding is clear: luxury tourism operators who invest in AI personalisation without investing equally in communicative transparency regarding data governance risk eroding precisely the trust that sustains the premium relationship.

4.4. Theme 4: Transformative Self-Discovery and Existential Meaning

Thirteen participants articulated motivational frameworks centred on transformative self-discovery, a dimension of luxury travel experience that conventional marketing metrics are poorly equipped to capture. These participants described their Indonesian journeys not as recreational episodes but as significant biographical events that altered their relationship with self, others, and the world. Wellness retreats in Ubud, silent meditation programmes in remote mountain monasteries, and participatory cultural immersion programmes were cited as the experiential modalities most associated with transformative outcomes. This finding resonates with the emerging scholarly consensus that the future of luxury tourism lies not in the escalation of material abundance but in the facilitation of experiences that hold genuine transformative potential, which Pine and Gilmore's experience economy framework would designate as the highest order of economic value creation. Yusuf (2023) similarly argues that destinations capable of positioning themselves as sites of authentic transformation will

command greater emotional loyalty and premium pricing power than those competing on amenity differentials alone.

4.5. Discussion

The findings of this study advance the luxury tourism literature in several important respects. First, they confirm that the experiential turn in luxury consumption is empirically observable within the Indonesian context, demonstrating that the insights generated in European and North American luxury tourism scholarship are not geographically bounded. Second, they reveal a distinctive configuration of motivational drivers in which spiritual authenticity and transformative self-discovery feature more prominently than in comparable Western studies, which reflects the unique cultural capital and spiritual landscape of Indonesian destination offerings. Third, and perhaps most consequentially, the study provides primary empirical evidence for the operationalisation of the Privacy Paradox within luxury tourism, a theoretical construct that had hitherto been elaborated primarily in e-commerce and general social media contexts (Cloarec et al., 2024).

The S-O-R framework proved analytically productive in mapping the pathway from AI-generated digital stimuli through internal psychological processing to behavioural outcomes, though the findings suggest that the organism layer is considerably more complex and culturally differentiated than standard applications of the framework acknowledge (Sharma & Paswan, 2025). Participants did not merely respond to digital stimuli; they actively interrogated, contextualised, and sometimes resisted them, drawing on prior experiential knowledge, cultural identity, and ethical values. This active meaning-making posture supports a more agentic reconceptualisation of the luxury tourist within the S-O-R architecture.

5. Conclusion

This study has provided the first empirically grounded, qualitative examination of psychological motivations and digital trust among luxury tourists at Indonesian exclusive destinations. Four dominant motivational themes were identified: authentic cultural immersion, status affirmation and social signalling, psychological restoration, and transformative self-discovery. Across all four themes, the role of digital trust and its frequent disruption by the Privacy Paradox emerged as a structuring variable with significant implications for AI-driven tourism marketing strategy (Cloarec et al., 2024; Morales-Munoz et al., 2026).

The study's central policy implication is that Indonesian luxury tourism strategy must urgently transition toward an Ethical AI model, one in which the deployment of personalisation technologies is predicated on genuine transparency regarding data collection and utilisation, explicit consent mechanisms, and robust data minimisation protocols. Morales-Munoz et al. (2026) advocate for precisely this reorientation within the broader AI-consumer relationship landscape, and the findings of this study confirm its necessity within the specific context of Indonesian luxury tourism. Operators who adopt Ethical AI practices stand to differentiate themselves in an increasingly sceptical luxury market, building the trust capital that sustains long-term premium relationships.

From a managerial standpoint, destination operators are advised to pivot from "Big Data" mass-personalisation approaches toward "Small Data" frameworks that prioritise depth of understanding over breadth of data collection (Peixoto et al., 2024). Small Data strategies characterised by the meticulous observation of individual guest preferences, the cultivation of relational knowledge through sustained human engagement, and the delivery of bespoke experiences grounded in a nuanced understanding of personal biography and aspiration are

intrinsically congruent with the motivational architecture of the luxury tourist as revealed by this study. Technological tools should augment rather than supplant the human intelligence at the heart of luxury hospitality.

This study is subject to several limitations that invite future research. The sample, while purposive and theoretically adequate, is geographically concentrated and does not capture the full diversity of the global luxury tourism market. Future studies would benefit from comparative cross-cultural designs incorporating participants from emerging luxury markets in Africa and South Asia. Additionally, the study's qualitative design, while appropriate for the exploratory objectives pursued here, does not permit statistical generalisation; mixed-methods follow-up research incorporating validated psychometric scales would strengthen the confirmatory dimensions of the theoretical framework advanced in this article.

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