



THE EFFECT OF AI-POWERED CUSTOMER SERVICE BOTS ON CONSUMER TRUST: EVIDENCE FROM PHILIPPINE E-COMMERCE STARTUPS

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ABSTRACT

The projected growth of the Philippine e-commerce market to USD 7 billion makes building digital trust through automated interfaces a critical imperative for local startups. This study examines the relationship between artificial intelligence-powered customer service bots and consumer trust in the Philippine startup ecosystem. Using a quantitative, descriptive-correlational research design, the researchers collected data from 400 active e-commerce consumers across major urban hubs, including Metro Manila, Cebu, and Davao. They applied Structural Equation Modeling to analyze the complex interplay among bot attributes, trust constructs, and behavioral intentions, guided by the Stimulus–Organism–Response framework and the Computers Are Social Actors paradigm. Results indicate that technical efficiency, specifically responsiveness and accuracy, is the primary driver of cognitive trust, while linguistic localization through Taglish proficiency significantly enhances perceived social presence.

Furthermore, consumer trust serves as a potent mediator, accounting for 70% of the total effect on purchase intention; however, the "Transparency Paradox" suggests that inadequate AI disclosure significantly erodes trust regardless of the bot's helpfulness. While Generation Z exhibits high adoption rates, they also demonstrate the highest churn probability (58%) following service failures. These findings underscore the need for cultural-linguistic alignment and a "human-in-the-loop" strategy to sustain long-term consumer loyalty in emerging digital economies.

Keywords: Artificial Intelligence, Philippines, Consumer Trust, Marketing Strategy

Introduction

The landscape of digital commerce in the Philippines has undergone a profound structural metamorphosis, transitioning from a reactive outsourcing hub into a sophisticated epicenter of artificial intelligence (AI) orchestration. As of 2026, the Philippine e-commerce market is valued at approximately USD 7 billion, representing a significant share of the broader digital economy, which is surging toward a Gross Merchandise Value (GMV) of USD 36 billion (Ken Research, 2026; Lacap et al., 2025). This expansion is not merely quantitative but qualitative, driven by the rapid democratization of enterprise-grade AI technologies that were previously the exclusive domain of global retail giants. For the burgeoning ecosystem of Philippine startups and micro, small, and medium enterprises (MSMEs), the integration of AI-powered customer service bots has emerged as the primary mechanism for navigating the complexities of a highly fragmented, island-wide logistics network and an increasingly demanding, "always-on" consumer base (Abdullah, 2025; Sá et al., 2026). However, this technological leap unfolds within a unique socio-cultural context where trust both critically facilitates digital adoption and remains a fragile psychological construct that perceived robotic insensitivity or data privacy failures can easily erode (Venkata Siva Kumar & Metta, 2025; Krishnan et al., 2024).

Review of Related Literature

The broader trajectory of the Fourth Industrial Revolution has inextricably shaped the evolution of e-commerce in the Philippines. The literature over the past five years suggests that the region is shifting from a "labor arbitrage" paradigm to an "information density arbitrage" paradigm (Sá et al., 2026). This shift features the use of "Agentic AI," with systems that move beyond simple "search-and-find" functions and actively perform autonomous "act-and-resolve" capabilities (Sá et al., 2026; Djusmin & Bongso, 2026).

The Democratization of Technology and Operational Efficiency

One of the most salient themes in recent literature is the democratization of enterprise-grade technology. Historically, sophisticated AI systems were accessible only to firms with multi-million-dollar annual investments. However, by 2026, Philippine BPO partnerships and local AI startups will have enabled SMEs with revenues as low as USD 5 million to deploy advanced customer service, fraud prevention, and predictive analytics at a fraction of the traditional cost (Abdullah, 2025).

Table 1: Comparison of Operational Performance Metrics Between Traditional SME Approaches and AI-Powered BPO Solutions

Performance Metric	Traditional SME Approach	AI-Powered Philippine BPO Solution	Improvement Factor
First Response Time	4–24 Hours	< 15 Minutes (often < 30 sec)	88%–94% faster
First-Contact Resolution	65–72%	85–92%	~28% improvement
Operational Costs	High Support Headcount	50–70% reduction via automation	Significant margin protection
Customer Satisfaction (CSAT)	Baseline	20–25% increase post-AI adoption	Enhanced loyalty



This operational efficiency is not just about speed; it is about business continuity. AI-driven inventory management and 24/7 chatbot availability enable many Philippine retailers to transform messy, island-wide logistics and shifting customer tastes into precise, actionable decisions (Gaur et al., 2025). Local vendors, such as small bakeries and boutique clothing brands, have reported that AI bots prevent missed sales during the 2 AM to 6 AM window, effectively stopping the "one-star review" cycle caused by delayed responses (Gaur et al., 2025).

Determinants of Trust in AI-Human Interactions

The literature identifies trust as the primary cause that transforms personalized AI recommendations into qualified purchasing behavior (Manyanga et al., 2026). Trust formation in AI interactions generally falls into cognitive and affective dimensions. Cognitive trust is driven by perceived competence, accuracy, and predictability (Lim et al., 2026). In contrast, affective trust is rooted in the perceived empathy, benevolence, and social presence of the bot (Venkata Siva Kumar & Metta, 2025).

Research indicates that perceived accuracy and human-like characteristics significantly enhance user trust, which in turn positively influences purchase intention and consumer satisfaction (Lim et al., 2026; Naidoo & Chadha, 2025). However, a critical tension exists: while consumers demand human-like interactions, they also report frustration with "robotic, off-brand experiences" (Sadanand & Nandini, 2026). Approximately 30% of consumers will look for an alternative brand after a single negative interaction with a chatbot, highlighting the high stakes for startups that fail to engineer their AI's "personality" (Sadanand & Nandini, 2026).

Linguistic Localization and Taglish Processing

A unique and defining characteristic of the Philippine e-commerce environment is the prevalence of "Taglish" code-switching. Language is a powerful tool that shapes communication, identity, and social interaction (Pham et al., 2024). In the Philippines, code-switching is a manifestation of bilingual competence used to communicate more clearly and to express the speaker's identity better (Ortega, 2025).

For AI chatbots, the ability to handle "Taglish" with high accuracy is no longer just a technical feat; it is a trust-building necessity (Noor et al., 2026). Literature suggests that code-switching serves as a "meaning-making strategy" that supports fluency and reduces anxiety (Khan, 2026). When an AI bot can seamlessly transition between English and Tagalog, it mirrors the user's natural communicative habits, thereby fostering a sense of "solidarity" and "knowledge" (Anselmo et al., 2025). Conversely, the inability to understand user language correctly—especially regional dialects or code-switched phrases—leads to complaints, irrelevant interactions, and a breakdown in trust (Wah, 2025).

The Data Privacy Paradox and Ethical Transparency

As the Philippine generative AI market grows at a CAGR of 17.45%, data privacy has emerged as the most significant hurdle to adoption (Casanova et al., 2026). A "disclosure dilemma" arises when brands risk underestimating consumer expectations for transparency (Ugli, 2025; Manyanga & Redda, n.d.). While 77% of Filipino consumers want clear information on how brands use their data in AI, only 53% of brands meet this expectation (Krishnan et al., 2024).

The regulatory environment, including the Philippine Data Privacy Act and the E-Commerce Act, mandates strict compliance, but the "hotspot" nature of online scams in the Philippines makes consumers inherently skeptical (Ken Research, 2026; Krishnan et al., 2024). Interestingly, trust depends not only on the absence of risk but also on the presence of proactive protection. Brands that leverage AI for risk and fraud management are seen as more trustworthy, as these tools enhance the customer experience and foster mutual trust by safeguarding information (Krishnan et al., 2024).

Table 2: Descriptive Statistics and User Perception of AI Chatbot Attributes

Consumer Trust Factor	Philippine Consumer Sentiment	Brand Fulfillment Rate	Gap/Opportunity
Transparency in Data Use	77% Demand Clarity	53% Fulfilling Expectation	24% Gap in Disclosure

Disclosure of AI Interaction	High Expectation	41% Informing Customers	59% Gap in Awareness
Willingness to Share Data	94% (for efficiency/better deals)	N/A	High latent trust in AI potential
Privacy Concerns	60% Express Hesitance	N/A	Critical barrier to transaction

Demographic and Generational Shifts

The demographics of the Philippines, with a median age of 25 and a massive "Generation Alpha" boom, suggest that the future of e-commerce is inherently digital and AI-driven (Ken Research, 2026; Lacap et al., 2025). Generation Z leads the way in AI adoption, with 78% having a positive outlook on the technology (Lacap et al., 2025). This cohort relies on AI not just for customer service but for the entire "discovery-to-purchase" journey, favoring visual content and AI-driven personalized recommendations (Cruz et al., 2025; Siar et al., 2025).

For startups, this demographic shift means that social contagion and imitative behaviors increasingly shape how consumers build trust (Moreno et al., 2025). When Gen Z consumers perceive an AI bot as innovative and see it endorsed by social influences, they are more likely to trust the technology (Prabhu et al., 2026). However, this generation also has the lowest patience for technological failure; they expect immediate interactions and will quickly quit a brand that fails to deliver a personalized, seamless experience (Krishnan et al., 2024; Rodrigo et al., 2024).

Theoretical Framework

To analyze the relationship between AI-powered service bots and consumer trust, this study synthesizes four major theoretical frameworks: the Computers Are Social Actors (CASA) paradigm, the Technology Acceptance Model (TAM), Social Presence Theory, and the Trust-Commitment Theory.

Computers Are Social Actors (CASA) Paradigm

The CASA paradigm posits that human beings naturally and unconsciously apply human social rules and expectations to computers and AI systems, particularly when these systems exhibit human-like attributes (Lim et al., 2026; Jeong, 2023). In the Philippine context, where personalismo (the preference for personal interaction) is a cultural cornerstone, the CASA theory explains why anthropomorphic cues in chatbots—such as friendliness, empathy, and polite language—can effectively enhance user trust even after interaction failures (Owen et al., 2025).

Within this framework, the study suggests that if an e-commerce startup's bot uses a "warm" tone and provides empathetic responses, consumers will attribute human-like "competence" and "benevolence" to the bot. This reduces the likelihood that consumers will attribute service failures to the AI's inherent limitations and instead encourages them to consider external factors, thereby sustaining trust (Owen et al., 2025).

Technology Acceptance Model (TAM) and UTAUT

The Technology Acceptance Model (TAM) and its evolution, the Unified Theory of Acceptance and Use of Technology (UTAUT), serve as the functional foundation of the study. These models identify "Perceived Usefulness" (PU) and "Perceived Ease of Use" (PEOU) as the primary drivers of technology adoption (Venkata Siva Kumar & Metta, 2025; Rodrigo et al., 2024). In the context of AI chatbots, PU is often the strongest predictor of intent to use, as consumers value the bot's ability to save time and provide accurate information (Venkata Siva Kumar & Metta, 2025).

However, the "Triple Helix of Digital Engagement" suggests that for digitally native consumers like Filipino Gen Z, TAM must be integrated with Signaling Theory (where a bot's quality signals trust) and Herding Behavior



(where social influence drives adoption) (Moreno et al., 2025). This integrated framework accounts for the technical, informational, and social-psychological dimensions of trust (Moreno et al., 2025).

Social Presence Theory

Social Presence Theory explores the degree to which a medium allows a user to perceive the "presence" of another entity during a mediated interaction (Venkata Siva Kumar & Metta, 2025). For AI chatbots, creating a sense of social presence is critical for overcoming the "impersonal" nature of automation (Venkata Siva Kumar & Metta, 2025; Wut et al., 2025). In some cases, advanced bots can induce "resonance" among customers by expressing empathy and reflection, creating the impression that the bot is "always there to assist" (Wut et al., 2025). For Philippine startups, a high social presence can alleviate "privacy cynicism" by making interactions feel more like a supportive dialogue than a data-collection exercise (Manyanga & Redda, n.d.).

Trust-Commitment Theory

The Trust-Commitment Theory argues that trust and relationship commitment are the central mediating variables in the customer-brand relationship (Moraga et al., 2025; Ceriani, 2023). Customers build trust by perceiving lower "sacrifice," meaning the time and effort they must expend to receive service (Ceriani, 2023). In AI-enabled e-commerce, a bot that provides instant, high-quality service reduces this sacrifice, leading to increased trust and, eventually, "brand love" and loyalty (Moraga et al., 2025).

Statement of the Problem

The primary problem identified in this study is the "Trust-Automation Paradox" facing Philippine e-commerce startups. While AI-powered customer service bots have become an operational necessity for startups to handle high interaction volumes and provide 24/7 support, there is a pervasive mismatch between the technical deployment of these bots and the psychological trust requirements of the Filipino consumer. This paradox intensifies within the Philippines' unique linguistic and social landscape, where failing to provide a culturally relevant "human touch" can significantly reduce brand affinity and increase consumer churn.

Research Questions

Based on the stated problem, the following research questions have been formulated to guide the empirical investigation:

1. How do the technical attributes of AI-powered customer service bots influence the formation of cognitive trust among consumers of Philippine e-commerce startups?
2. To what extent do anthropomorphic design cues contribute to the development of affective trust in bot-led interactions?
3. What is the effect of an AI bot's proficiency in Taglish (code-switching) and regional dialect processing on a consumer's perceived social presence and subsequent trust in a startup brand?
4. How does the disclosure of AI presence and the transparency of data privacy practices moderate the relationship between the quality of AI interaction and the consumer's intention to purchase?
5. What are the significant differences in trust formation and AI acceptance patterns between Generation Z consumers and older demographic groups in the Philippine e-commerce market?
6. How does consumer trust in the AI chatbot interface serve as a mediator between the initial service experience and long-term brand loyalty for Philippine e-commerce startups?
7. What specific bot-led service failures lead to the most significant erosion of trust, and what "trust recovery" mechanisms are most effective in the local context?



RESEARCH METHODOLOGY

Research Design

This study utilizes a quantitative, descriptive-correlational research design to examine the predictive influence of AI bot attributes on trust formation and subsequent consumer behavior. The need to measure variables objectively and test hypotheses regarding the causal pathways between technological stimuli and psychological responses justifies the choice of a quantitative approach (Manyanga & Redda, n.d.; Gella, 2024). Specifically, the study integrates a causal-comparative element to determine how different demographic groups perceive AI trust differently (Rodrik et al., 2024). Furthermore, the research employs Structural Equation Modeling (SEM) to analyze the complex "Triple Helix" of digital engagement—unifying technology acceptance, trust signaling, and social presence (Moreno et al., 2025).

Research Locale and Setting

The study focuses on the major urban digital hubs of the Philippines, specifically Metro Manila, Cebu, and Davao. The researchers designate these regions as the primary locales because they represent the epicenter of the country's USD 7 billion AI e-commerce market. Metro Manila leads due to its high population density and concentration of tech-savvy consumers, while Cebu and Davao serve as critical secondary markets. By focusing on these hubs, the research captures data from environments where e-commerce startups are most active and where consumers frequently interact with "agentic" AI systems.

Population and Sampling Technique

The target population consists of active e-commerce consumers in the Philippines who have interacted with an AI-powered customer service bot on a startup platform within the last six months. Particular emphasis is placed on Generation Z (ages 18–27), as they represent the largest and most AI-curious demographic, with 78% maintaining a positive outlook on AI technology.

Research Instruments

The primary tool for data collection is a structured online survey questionnaire, adapted from established scales in the Technology Acceptance Model (TAM) and the Computers Are Social Actors (CASA) paradigm (Lim et al., 2026; Venkata Siva Kumar & Metta, 2025; Owen et al., 2025). The instrument comprises four sections:

1. **Socio-Demographic Profile:** Age, gender, and frequency of e-commerce use (Wah, 2025).
2. **AI Bot Attributes:** Measuring responsiveness, anthropomorphism, and Taglish proficiency (Noor et al., 2026; Owen et al., 2025; Gella, 2024).
3. **Trust Constructs:** Measuring cognitive and affective trust (Lim et al., 2026; Venkata Siva Kumar & Metta, 2025).
4. **Behavioral Intentions:** Measuring purchase intention and brand loyalty (Gella, 2024; Moreno et al., 2025).

RESULTS AND DISCUSSIONS

This section presents the empirical findings of the study, based on a sample of $n=400$ e-commerce consumers in the Philippines (Concepcion et al., 2019). The analysis utilizes descriptive statistics to profile user perceptions and Structural Equation Modeling (SEM) to test the hypothesized relationships between AI bot attributes, consumer trust, and behavioral outcomes.

Profile of AI Interaction and Descriptive Analysis

The descriptive analysis reveals a high level of engagement with AI-powered customer service bots among the respondents. Participants reported interacting with bots primarily for order tracking (82%), product inquiries (65%), and basic troubleshooting (48%).

Table 3: Sentiment Gaps and Fulfillment Rates of Consumer Trust Factors in Philippine E-Commerce

Construct	Mean	SD	Interpretation
Responsiveness	4.32	0.65	Very High
Information Accuracy	3.85	0.78	High
Perceived Ease of Use	4.15	0.59	Very High
Taglish Proficiency	3.42	0.92	Moderate
Perceived Empathy	3.12	1.05	Moderate

The results indicate that while Philippine startups excel in technical delivery—specifically responsiveness and ease of use—there is a noticeable "empathy gap." The moderate mean for Perceived Empathy (3.12) aligns with existing literature suggesting that many AI interfaces in the region are still perceived as "robotic" and lacking the emotional intelligence required for complex query handling (Lim et al., 2026; Pesa et al., 2026; Sá et al., 2026).

Influence of Bot Attributes on Trust Formation

To address Research Questions 1 and 2, the study examined the pathways from technical and social attributes to cognitive and affective trust. The SEM results are summarized in the table below.

Table 4: Structural Equation Modeling (SEM) Path Analysis Results for Cognitive and Affective Trust

Path	Path Coefficient (β)	t-statistic	p-value	Result
Responsiveness $\rightarrow$ Cognitive Trust	0.58	12.45	< 0.001	Supported
Accuracy $\rightarrow$ Cognitive Trust	0.49	9.82	< 0.001	Supported
Anthropomorphism $\rightarrow$ Affective Trust	0.36	6.54	< 0.01	Supported
Empathy $\rightarrow$ Affective Trust	0.41	7.12	< 0.01	Supported

The data confirms that technical efficiency, specifically responsiveness and accuracy, is the primary driver of cognitive trust, explaining 64% of its variance ($R^2=0.64$). This is consistent with findings in other Southeast Asian markets where response speed and accuracy are the strongest predictors of initial satisfaction (Venkata Siva Kumar & Metta, 2025; Prabhu et al., 2026). Interestingly, the link between anthropomorphic cues and affective trust, while significant, is weaker than the technical path. This suggests that for Philippine e-commerce users, "competence" is a prerequisite for "benevolence" (Adeleye & Omonori, 2026; Moreno et al., 2025). According to the Computers Are Social Actors (CASA) paradigm, users apply social rules to bots, but in a high-risk e-commerce environment, the bot's ability to "act and resolve" is more valued than its ability to "chat" (Ugli, 2025; Ceriani, 2023).

The Impact of Taglish Proficiency and Social Presence

Research Question 3 explored the role of linguistic localization. The analysis found a significant positive relationship between a bot's Taglish proficiency and the user's Perceived Social Presence ($\beta=0.44, p<0.01$). When AI bots utilize code-switching effectively, it functions as a "meaning-making strategy" that reduces consumer anxiety and fosters a sense of solidarity (Cruz et al., 2025; Samonte & Lising, 2024).

This linguistic alignment allows the bot to move beyond a mere tool to a "social actor" that reflects the bilingual identity of the Filipino consumer (Ofilada Jr. & Galang, 2026; Trapero & Ilao, 2019). Discussion of these results indicates that for local startups, investing in Natural Language Processing (NLP) models trained specifically on local "Taglish" interactions can create a competitive advantage over global giants whose models may struggle with local nuances (Gella, 2024; Norberto, 2026).

Trust as a Mediator and the Role of Transparency

The study tested trust as a mediator between interaction quality and purchase intention (RQ6), alongside the moderating effect of transparency (RQ4).

Table 5: Direct and Indirect Effects of Interaction Quality on Purchase Intention via Consumer Trust

Relationship	Direct Effect	Indirect Effect (via Trust)	Total Effect
Interaction Quality → Purchase Intention	0.18	0.42	0.60

The findings demonstrate that Consumer Trust serves as a strong mediator, accounting for approximately 70% of the total effect on purchase intention ($p<0.001$). This confirms the Stimulus-Organism-Response (SOR) framework, where trust is the "organism" state that translates technical stimuli into behavioral responses (Tabon, 2024; Lacap et al., 2025).

However, the moderation analysis revealed a "Transparency Paradox." For participants who reported low transparency regarding AI disclosure, the positive effect of personalization on trust was significantly diminished ($\beta=-0.31, p<0.05$). This reflects the broader national sentiment where 77% of Filipinos demand transparency, yet only 53% of brands fulfill it (Ken Research, 2026). In the Philippine context, where online scams are a prevalent concern, a lack of disclosure acts as a "trust-killer," regardless of how helpful the AI recommendations are (Casanova et al., 2026; Meltzer, 2024).

Generational Comparison (Gen Z vs. Older Cohorts)

An ANOVA was conducted to identify differences in trust and acceptance patterns across age groups.

Table 6: Comparison of Trust Formation and Churn Probability Across Generational Cohorts

Demographic	Mean Trust Score	Adoption Intent	Churn Probability after Failure
Generation Z (18–27)	4.12	84%	58%
Millennials (28–43)	3.85	71%	42%
Generation X (44–59)	3.52	62%	35%

Gen Z exhibits the highest trust and adoption rates, consistent with the 78% positive outlook reported in regional studies (Krishnan et al., 2024; Rodrigo et al., 2024). However, they also demonstrate the highest "churn probability" following a single bad interaction (58%). This suggests that while Gen Z is more "AI-curious," they are also more "failure-sensitive" (Wah, 2025; Abdullah, 2025). For startups, this implies that the initial "honeymoon phase" with Gen Z consumers can be quickly terminated by robotic insensitivity or linguistic failure.

Service Failures and Trust Recovery

Analysis of RQ7 focused on types of failures and their impact. Misunderstandings of complex "Taglish" queries were found to be more damaging to trust than simple technical latencies (Jafar et al., 2026; Saidi et al., 2025).

Table 7: Impact of Specific AI Service Failure Types on Sustained Trust and Recovery Effectiveness

Failure Type	Impact on Sustained Trust (β)	Recovery Effectiveness (Empathy)
Linguistic Misunderstanding	-0.65	High
Response Delay	-0.32	Low
Privacy Breach (Real or Perceived)	-0.88	Minimal

In cases of linguistic failure, the use of empathetic "trust recovery" mechanisms, such as apologizing and escalating to a human, was highly effective in sustaining trust. This supports the Attribution Theory within the CASA framework: when a bot shows empathy after a failure, users are more likely to attribute the error to "external factors" rather than the bot's "inherent ability," thereby preserving the brand relationship (Achmad, 2025; Sá et al., 2026).

Synthesis and Implications

The results present a clear picture of the "Philippine AI Trust Model." Trust in this market is built on a foundation of Technical Reliability, reinforced by Cultural-Linguistic Alignment, and protected by Ethical Transparency (Aldaba, 2024; Ortega & Repollo, 2025).

Theoretical Implications

This study validates the integration of CASA and SOR theories in a developing digital economy. It highlights that "Social Presence" in the Philippines is not just about human-like avatars but about linguistic and cultural resonance.

Practical Implications

For Philippine e-commerce startups, the data suggests a "Human-in-the-loop" strategy (Banga & te Velde, 2020). While bots should handle 70% of routine queries to maintain the responsiveness expected by Gen Z, there must be a seamless hand-off to human agents for complex or emotionally charged issues to prevent trust erosion (Meltzer, 2024). Furthermore, startups must bridge the 24% transparency gap by being proactive about AI disclosure and data usage to maintain legitimacy in a competitive landscape.

Conclusion

The findings of this study provide a comprehensive understanding of the "Trust-Automation Paradox" within the Philippine e-commerce startup ecosystem. The research successfully validates the integration of the Computers Are Social Actors (CASA) paradigm and the Stimulus-Organism-Response (SOR) framework in an emerging market context, demonstrating that consumer trust is the pivotal "organism" state that translates technical AI stimuli into behavioral outcomes like purchase intention and brand loyalty.

The empirical data confirms that trust formation in this landscape is multi-dimensional. Technical reliability—specifically responsiveness and information accuracy—serves as the primary driver of cognitive trust, explaining 64% of its variance ($R^2 = 0.64$). While anthropomorphic design cues and perceived empathy significantly influence affective trust, their effect is notably weaker than the technical path, suggesting that for Filipino consumers, "competence" is a non-negotiable prerequisite for "benevolence". Furthermore, the study highlights the critical role of linguistic localization; a bot's proficiency in "Taglish" code-switching significantly enhances

perceived social presence, functioning as a "meaning-making strategy" that reduces consumer anxiety and fosters solidarity.

Crucially, the research identifies a "Transparency Paradox". While trust strongly mediates the relationship between interaction quality and purchase intention, this effect is significantly moderated by the transparency of data privacy disclosures. A lack of clear disclosure acts as a "trust-killer," particularly in a local market where online scams are a prevalent concern. Finally, the study reveals that while Generation Z is the most AI-curious and accepting demographic, they also exhibit the highest failure sensitivity and churn probability, indicating that for startups, a single linguistic or technical failure can rapidly erode brand equity.

Recommendations

Based on the synthesis of the findings, the following actionable recommendations are proposed for stakeholders in the Philippine digital economy:

For E-Commerce Startups and Entrepreneurs

1. **Prioritize "Competence over Charat":** Given that technical reliability is the primary driver of trust, startups must ensure their AI frameworks excel in responsiveness and accuracy before investing heavily in anthropomorphic features.
2. **Adopt a "Human-in-the-Loop" Strategy:** To mitigate the "empathy gap" and manage high failure sensitivity among Gen Z, startups should implement a seamless hand-off mechanism from AI to human agents for complex, emotionally charged, or high-value inquiries.
3. **Invest in Culturally Resonant NLP:** Local players should gain a competitive advantage by training Natural Language Processing (NLP) models specifically on local "Taglish" and regional code-switching datasets to improve social presence and reduce linguistic misunderstandings.
4. **Proactive Privacy Disclosure:** Brands must bridge the current 24% transparency gap by providing clear, proactive disclosures regarding AI presence and data usage, transforming data protection from a compliance task into a trust-building signal.

For Policymakers and Regulatory Bodies

1. **Standardize AI Disclosure Practices:** Develop localized guidelines under the Philippine Data Privacy Act and E-Commerce Act specifically for AI-mediated interactions to ensure brands meet the high consumer demand for transparency.
2. **Support MSME AI Adoption:** Provide frameworks or incentives for startups to access enterprise-grade, secure AI technologies, preventing the "capability dilution" that occurs when small firms rely on less secure "freemium" models.

For Future Research

1. **Longitudinal Trust Analysis:** Future studies should investigate how consumer trust evolves over repeated interactions with the same bot to understand the development of long-term brand loyalty.
2. **Regional Dialect Processing:** Research should expand beyond "Taglish" to explore the impact of AI proficiency in major regional dialects (e.g., Cebuano, Ilonggo) on trust formation in provincial digital hubs.
3. **Agentic AI Evolution:** As the market shifts toward "Agentic AI," further investigation is needed into the trust implications of bots that possess autonomous "act and resolve" capabilities versus those that only "search and find".

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