THE IMPACT OF AI ON MARKETING: OPPORTUNITY OR THREAT?

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Abstract: Today we are talking about a new generation of AI, about generative AI, which came into mass use at the end of last year. Artificial intelligence is useful if we know how to use it and it has certainly been fundamentally changing the marketing universe for some time. In marketing, AI tools help in customer segmentation, in finding new customers who show propensity to buy, in product recommendations, in sales, in customer support, in the production of advertising messages, in the generation of responses on social networks, in purchasing behavior research, in algorithms for predicting buyer behavior, etc. ChatGPT and related technologies are the reality of individuals and organizations. New technologies develop very quickly and exponentially, where we do not know where and how the development will go, but we know that changes will happen. 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.

Keywords: AI, marketing, changes, Chat GPT, technology

INTRODUCTION

There are many unknowns, there is also a lot of coordination, what is AI in marketing anyway. One of the very useful definitions says: AI marketing refers to the advanced approach of using artificial intelligence (AI) in marketing to automate, optimize, and improve elements of the marketing procedure and process. You can also leverage AI to make more informed and data-driven decisions through the insights AI marketing gathers through its data collection, hence improving overall marketing (Sauter, 2023:2). The aim of the article is to listed some of positive and negative impacts of AI on current practices in marketing.

Generative AI and global economy

Breakthroughs in generative artificial intelligence have the potential to bring sweeping changes to the global economy, according to Goldman Sachs Research. As tools using advances in natural language processing work their way into businesses and society, they could drive a 7% (or almost $7 trillion) increase in global GDP and lift productivity growth by 1.5 percentage points over a 10-year period (Goldman Sachs, 2023). The percentage of respondents who say that their company uses AI has jumped from 22% in 2018 to 50% in 2023. Nearly half of respondents, 46%, say that they have experimented with generative AI, and 27% say that they use it regularly (Boston Consultancy Group, 2023:3).

AI is changing the marketing universe

Today we are talking about a new generation of AI, about generative AI, which came into mass use at the end of last year. Artificial intelligence is useful if we know how to use it (Meden, 2023, p. 1), and it has certainly been fundamentally changing the marketing universe for some time. In marketing, AI tools help in customer segmentation, in finding new customers who show propensity to buy, in product recommendations, in sales, in customer support, in the production of advertising messages, in the generation of responses on social networks, in purchasing behavior research, in algorithms for predicting buyer behavior, etc.

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A study by Gartner predicts that by 2024, AI-generated content will account for 30% of the total content produced by enterprises. By automating content creation, companies can save time and resources, allowing their marketing teams to focus on higher-level strategic initiatives. Gartner predicts that: By 2024, 40% of enterprise applications will have embedded conversational AI, up from less than 5% in 2020. By 2025, 30% of enterprises will have implemented an AI-augmented development and testing strategy, up from 5% and 2021 (Gartner, 2023:1). In a recent Gartner webinar poll of more than 2,500 executives, 38% indicated that customer experience and retention is the primary purpose of their generative AI investments. This was followed by revenue growth (26%), cost optimization (17%) and business continuity (7%) (Gartner, 2023:1). Gen AI has captured interest across the business population: individuals across regions, industries, and seniority levels are using gen AI for work and outside of work. Seventy-nine percent of all respondents say they've had at least some exposure to gen AI, either for work or outside of work, and 22 percent say they are regularly using it in their own work (McKinsey, 2023:1).

When we talk about marketing, we assume that it is a holistic approach to marketing that emphasizes the holistic understanding of our customers and the satisfaction of their needs, which focuses on creating consistent and connected marketing activities through all communication channels (Kotler, et al., 2016:347). The authors start from the assumption that significant changes are taking place in consumer behavior, for which the Internet enables greater expectations and the expected consistency in communication with brands. Holistic marketing allows companies to integrate different communication channels in a coherent marketing plan, which enables more effective communication with customers. Customers expect a multifaceted experience that includes all aspects of integration with the company, from advertising, social media, mobile applications, sales support to customers, etc., which increases customer satisfaction. It is easier and more efficient to measure the success of marketing campaigns, since holistic marketing allows all channels and activities to be connected in a single data analysis system. This makes it easier for brands to understand which channels are more effective than others. Brands must also express the values of their customers, who are increasingly sustainable and expect social responsibility from brands. Holistic marketing therefore enables companies to develop elements of their own competitive advantage, as they

are more comprehensively and efficiently equipped to meet the needs of their customers and respond more quickly to changes in the market environment.

Positive effects of changes in marketing with the use of AI

In addition to processing existing data with algorithms that accurately predict customer purchasing behavior, predict trends and enable the creation of personalized marketing campaigns, improved user experience increases marketing efficiency, and thus also the value and ROI of companies.

According to Eurostat (2023), the number of Slovenian companies that use AI in marketing and research is higher than the average in Europe (22.8% in Slovenia compared to the EU, where the average is 12.6). In Slovenian advertising, AI tools are mostly used in sales, the development of AI tools in advertising agencies and the research sector is relatively balanced between the development of employees and the use of already developed tools. The biggest obstacle to using AI seems to be that they do not consider AI technologies useful. Ethical considerations and concern about invasion of data protection and privacy do not seem to be an issue (Eurostat, 2023).

A more personalized consumer shopping experience

AI improves the buying process of customers because it gives a more personalized experience and more accurate results (Meden, 2023:2). Customers have an easy shopping process that is accurate and personalized. We address the customer in a personalized way when, e.g. in the online store we present a certain product, we offer the possibility to compare it with similar products, sometimes also to test it, and above all with the help of AI conversation bots can answer typical questions of customers, which responds in real time. Buyers get an answer to their question immediately, which is why the purchase decision is faster and more efficient (Meden, 2023:2). The use of personalized addresses is especially suitable for the creation of customized landing pages, the use of email marketing and the selection of products (Sauter, 2023:2).

Better customer segmentation

AI will address customers in a personalized manner, based on activities on the website, mobile application, activities in the physical store, based on demonstrated interest in communication (on social networks), and above all, the company will take into account the customer's interest in addition to classic segmentation. More targeted communication has improved conversion rates and targeting specific keywords (Sauter, 2023:3). By using predicative algorithms, we can predict trends, more easily follow the changed purchasing habits of customers and optimize marketing campaigns.

Cost aspects and savings

As early experience shows, the need for repetitive tasks will be reduced. Most of the answers or questions that customers address to the content of the website are repeated. With well-structured data, AI will be able to answer them on its own. We will need fewer people in contact centers to answer questions. It is expected that the productivity of those individuals who will use AI tools will improve compared to those who will not learn it. The use of AI can

improve the effectiveness of marketing efforts, leading to higher ROI. This can include optimizing ad placement, adjusting bid prices, and targeting specific audiences (Sauter, 2023:3)

Changed the way of communication with customers

We expect that at the expense of conversational interfaces, communication with customers will be faster, the customer will also be able to quickly get more accurate answers that will be generated by AI, for example to his email address (Meden, 2023, p.3). The content of the message is already and will be adapted differently for different individuals. AI, especially by understanding the unified communication of an individual on various digital platforms, is changing digital marketing, where it connects social networks, online stores, customer responses... In addition to better customer support and the preparation of appropriate personalized marketing materials, especially sales documents, it is easier to analyze data (especially in large quantities), market research, etc.

Benefits of AI in digital marketing (Sauter, 2023:3):

- Analyze customer behavior
- Increase customer engagement
- Detect churn tendencies
- Anticipate purchase preferences
- Predict future trends
- Personalize marketing campaigns
- Increase conversion
- Target past customers
- Enhance ad targeting

Understanding customer needs and preferences

When it comes to unstructured data, AI tools already know how to process it well in real time, form a recommendation for a possible purchase to a customer who is still on the website, comments, a customer satisfaction survey are possible, AI detects potential problems and can adjust them. AI is also excellent at detecting trends in the market. This can include insights into customer behavior, interests, and preferences, as well as sentiment analysis of customer feedback (Sauter, 2023:3). AI tools also make it possible to read the emotions of customers in the purchasing process (McKinsey, 2023:2). Research shows that customer expectations are changing, 43% of customers are starting to replace traditional ways of finding products or service recommendations with tools like ChatGPT, 70% want wider implementation of generative AI in their interactions with organizations, 30% of customers are willing to pay more to use certain virtual services based on the use of AI (Capgemini, 2023:1).

AI as a sales tool

Virtual and augmented reality are already important marketing tools in the field of sales, enabling a more authentic and personalized shopping experience. Brands will have the opportunity to connect sound with AI and gain the opportunity in the meta universe to create sound environments that will attract visitors, potential buyers (Salzman, 2023:3). Optimizing content for voice search is becoming increasingly important as more people use voice assistants

such as Siri, Alexa, and Google Assistant to search for information, while augmented reality (AR technology) connects the real and virtual worlds and improves the shopping experience. (McKinsey, 2023:3). By analyzing customer data and transaction patterns, AI can detect suspicious behavior and prevent fraudulent transactions. This can include strategies such as monitoring for unusual transaction patterns and identifying suspicious IP addresses (McKinsey, 2023:3).

Negative effects of changes with the use of AI
AI response control

With modern generative systems, control is not the easiest, since there is no desire to limit them on the one hand, and on the other hand, it is necessary to prevent intentional offensive, obscene or inappropriate provocations on the part of users that can force the AI to give answers that are not appropriate. How to control that both AI and users do not cross the line of decent and acceptable communication in their behavior?

Unrelated data in the company

In companies, especially larger systems and those that operate in several markets, not only local, we come across a lot of data in an unconnected, aggregated state. If we want to develop our own conversational bot, we need to make sense of the data according to some key and connect it in a way that will be understandable by modern AI that works on large language models. If the data is not relevant enough, we get bad answers. All the time, the answers must be controlled so that the content is not offensive, biased or fabricated. A significant challenge in the use of AI in marketing is ensuring the credibility and integrity of data (Sauter, 2023:4), since AI works on the basis of predicative algorithms based on data. Incomplete databases are the reason AI results are unreliable. At the same time, it is also worth emphasizing the issue of privacy and data protection, as well as the fact that different AI tools have different rules for protecting the privacy of users, as well as their own conditions of use.

Lack of empathy

Humans are generally distrustful of messages generated by AI, especially when a problem arises that AI cannot solve without human help because it lacks empathy. Companies also have the opportunity to develop their own sources of competitive advantage, i.e. combinations of human intervention and generated responses. AI can automate tasks that are routine, analyze large amounts of data, optimize marketing strategies, but it is not precise. In addition, she lacks creativity, intuition, ability to see the big picture and understanding of complex emotions and motivation (Sauter, 2023:3). The issue of intellectual property and copyright is also unclear.

Distrust of employees

If we know how to formulate questions correctly, i.e. i. prompt, we will get more or less useful answers. As it seems, routine jobs in marketing (writing electronic responses, data analysis, press releases, writing other marketing texts, etc.) will give way to more strategic ones, which require more consideration and knowledge that AI does not yet possess. AI will not replace humans, but it will change their work. AI is unlikely to replace marketing employees,

as it lacks creativity. However, according to the BCG survey, 86% of employees believe that the use of AI at work will require additional training, almost 30% believe that the employer will take care of the responsible use of AI, and as many as 36% believe that AI will replace their job (Boston Consultancy Group, 2023:3).

The impact of AI on people's mental health (fake news, deep fakes, trolls, etc.)

Deliberately inaccurate information that has flooded the world web, the media, destroys our ability to rely on scientists, facts, institutions (Salzman, 2023:4). Fake news, disinformation, influencing elections and democracy, mistrust of institutions, politics, media, affect people, their fears, which is related to mental health (depersonalization disorder (Salzman, 2023:4), when people feel alienated and have a reduced sense of reality. The ethical use of AI, which takes into account users' privacy and is based on their consent to data processing, is a prerequisite for the transparent use of AI (Sauter, 2023:4). The use of AI also has positive effects on employees (Microsoft, 2023:4): increasing productivity, increasing job satisfaction, enabling greater creativity and opening new jobs. The same survey found that the time employees spend on Microsoft Teams has tripled since February 2020, 70% employees would delegate tasks to AI if it would reduce the amount of their work, 49% fear that they will be replaced by AI, twice as often management believe that AI will increase productivity rather than reduce the number of jobs, and 89% of managers believe that their employees will need new skills to support AI exploitation. However, wage pressures, the need for restructuring and less competitiveness due to skill equalization will be expected (Microsoft, 2023:4).

CONCLUSIONS

ChatGPT and related technologies are the reality of individuals and organizations. New technologies develop very quickly and exponentially, where we do not know where and how the development will go, but we know that changes will happen. It is best to start preparing for the changes today.

Generative AI can bring new business models, new business opportunities and create new jobs, but the biggest challenge is the speed of change, as well as the lack of knowledge about AI and the resulting lack of AI strategies. With increased productivity, costs are expected to decrease, the range of new products and services will increase, processes and business models will be transformed, and there will be less need for certain services, as changes in customer behavior will also change their expectations.

It is also worth mentioning the elements of responsible use of AI, from data protection, copyright issues, ethics and influence on decision-making, and risk management.

AI models will get smarter, they will support all forms of data, text, images, audio, video, they will have up-to-date data, often in real time. They will often be industry oriented (e.g. for marketing). Marketing is one of the fields that, even after a year of commercial use of generative AI, is exposed to major changes, both in terms of the speed of individual tasks performed by advertising agencies, as well as the quality of the agency's work performed (graphics, pitch preparation, production of texts, media posts, especially on social networks), as well as certain new services (media buying in real time). Technology goes hand in hand on the one hand with fears and on the other with high expectations for cost, content and time

efficiency of employees. Lack of current knowledge on how to use existing and developing AI tools is a big problem.

AI is not so much a technological change as it is a business change in organizations that requires change management, strategy and vision, skilled, empowered employees and large amounts of data. ChatGPT is just the beginning.

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