

# Artificial Intelligence and Digital Marketing: The Demand of New Era

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**Abstract:** Based on the theory that both manual and cognitive tasks can be replaced by Artificial Intelligence, this study explores, using a qualitative research method, the impact of Artificial Intelligence (AI) in Digital Marketing. An analysis of interviews with 15 experts from different industries related to Marketing and AI shows that AI have impact in Marketing processes and the impact will be bigger in the future. The study reinforces that many of the manual and repetitive tasks of a marketer's life can already be replaced by AI, and the use of machines working together with humans are the key to better marketing results. The challenges and ethical aspects that lead to a slow or non-adoption of AI have been addressed, and one of the major obstacles is that humans aren't yet confident in technology and, they are not yet ready for this cultural change. Based on these findings, business decision-makers and managers need to pre-prepare their companies and employees for the implementation of AI in Marketing.

**Key Words:** Artificial Intelligence · Marketing · Digital Marketing · Machine learning · Integration.

## 1. INTRODUCTION:

Artificial Intelligence is integrated into our lives, although many people are unaware of its presence. This misconception is evident from the fact that only 50% of responses from the PRNewswire (2018) consumer awareness study state that they have never interacted with AI technologies and 23% are unsure whether they have ever interacted with AI. technology. There are many examples of AI that operate in the background of most modern technologies (smartphones, computers, smart TV's, etc.) revealing an apparent lack of knowledge about what consumers think AI is and how AI is applied daily [1]. This paper presents the results of an exploratory study with a quantitative methodology, based on 15 interviews with specialists, which provided a better understanding of the impact of AI on digital marketing. The article presents the main aspects related with Artificial Intelligence and Digital Marketing, the used methodology, the analysis and discussion of results of the research and finally the study conclusions.

### AI and Marketing:

AI is present in the daily lives of people and businesses, an example of which are voice recognition, image recognition and handwriting suggestions available on today's smartphones [2]. Kietzmann, Paschen and Treen (2018) report that in order to deepen understanding of consumer decision making, there are very useful AI systems for marketers [3], of which the following points should be highlighted.

### Artificial Intelligence:

According to Russell and Norvig (2016), Artificial Intelligence is computerized systems that capture data to perform tasks of intelligent beings in order to maximize their chances of success [4]. Strong AI (Artificial General Intelligence) is a machine with consciousness and mind, and this machine has intelligence in more than one specific area. Weak AI (Narrow AI) focuses on specific tasks (autonomous cars derive from Narrow AI) [5]. In addition, there are authors who hypothesize that computers may be better or smarter than humans, so there would be a new AI term, called Artificial Super Intelligence, but right now it's hypothetical [6].

According to Rosenberg (2018), based on the Constellation study, looking at investment in all sectors of the market, there will be an investment of over 100 billion euros per year in Artificial Intelligence in 2025, while in 2015 only 2 billion was spent. The Marketing industry will be no exception and there will be increasing investment in AI [7]. From McKinsey & Company's analysis of more than 400 AI use cases in 19 industries and 9 business functions, the authors Chui, et al. (2018) found that the greatest impact on the potential value of AI use is in marketing and sales, supply chain management and production. Consumer industries, such as retail and high tech, tend to see more potential

in AI applications in marketing and sales because frequent, digital interactions between companies and customers generate larger datasets for AI techniques. E-commerce platforms can benefit from AI because of the ease with which these platforms collect customer information, such as click data or time spent on a website page, and can customize promotions, pricing, and products for each customer dynamically and in real time. The study uses cases that using customer data to customize promotions, for example, using individual offer personalization every day, can lead to a substantial increase in sales [8].

### Machine Learning:

Machine learning is a subcategory of AI that uses computer programs to learn and improve throughout experiments, processing huge amounts of data. It is the fastest form of AI and is the primary source in the AI industry for marketers. By detecting patterns in data, machine learning systems can “reason” and propose the best options for the stated consumer needs, more efficiently than humans. In addition, the system remembers everything that was previously calculated, storing all memories in a knowledge base and uses machine learning to learn from your previous experiences and problem solving (Big Data).

The more unstructured data a machine learning system processes, the smarter and more insightful the subsequent positive results for marketers. Just as a bank without a database cannot compete with one in which they are present, a company without a machine learning (AI subcategory) cannot keep up with another that makes use of it. While experts in the former write thousands of rules to predict what customers want, second algorithms learn billions of rules, an entire set of them for each customer. Machine learning is a new and bold technology, but this is not why companies adopt it, but because they have no choice in relation to the benefits that technology offers [11]. Marketers use machine learning to monitor consumer behavior. Develop algorithms for discovering websites visited, open emails, downloads, clicks, etc. They can also analyze how the user behaves across channels, which accounts they follow, posts they like, ads they interact with, etc. [12]. Depending on studies and industry, acquiring a new consumer is between 5 to 25 times more expensive than maintaining an existing one. Because you don't waste time and resources looking for a new customer, the focus is simply on keeping the existing customer satisfied. Machine learning through predictive models can help predict Customer Lifetime Value (CLV) and through clustering models make targeting more accurate, fast and effective. CLV is the value of all a customer's interactions with the company over time. By focusing on CLV, brands attract more important customers, encourage continued engagement, and increase audience retention. By analyzing patterns and learning from data about past consumer behavior, machine learning can predict the future value of a customer. It is a system that can make predictions, for example predicting consumer retention rates. Consumer retention rate is the metric that measures the percentage of consumers who break up with a business over a certain period, or how long a user spends on a landing page. Machine learning gives the marketer the information foreseeing possible customer abandonment, so marketers can use strategies to keep them interested in the brand [13].

## 2. METHODOLOGY:

This work is an exploratory and descriptive study on a specific theme. The methodology that supports the research is qualitative and, above all, descriptive. Based on the context of the AI tools applied in marketing, presented in the previous points, this study made an analysis focused on the perspective of the people who work with AI, although consumers always assume themselves as central and structuring figures in research, due to their constant relationship with them [14].

As this is an exploratory and descriptive study, intend to understand the strategies of companies that use AI, the benefits, the challenges presented, the ethical issues and to understand the impact that these practices are having on companies' income. It is considered relevant to understand which elements are considered essential for the successful implementation of an AI strategy in Marketing, as this research aims to be a contribution to companies and a supporting document in the implementation of a successful AI strategy in marketing. The first part of the study provided the theoretical underpinnings based on secondary information from scholarly articles, journals, reports and books. In the second part, the primary data collection was performed to be analyzed together with the theoretical bases.

## 3. RESEARCH OBJECTIVES:

The research developed allowed to understand the strategies of companies that use AI, the benefits, the challenges presented, the ethical issues and to understand the impact that these practices are having on companies' income. It was considered relevant to understand which elements are considered essential for the successful implementation of an AI strategy in Marketing. This research work is a contribution for companies to support the implementation of a successful AI strategy in Marketing.

### General and Specific Objectives

The purpose of this study is to understand the current situation of Artificial Intelligence in Marketing, analyzing how AI currently impacts Marketing and the impact it will have in the future.

The specific objectives of this work are as follows:

- Identify the key benefits of implementing AI in Marketing.
- Understand the key challenges and ethical aspects of integrating AI in Marketing.

#### **Interview Data Collection**

To collect primary data to meet the objectives, interviews were conducted as a qualitative study method. For semi-structured interviews, the interview script was not rigid, and the answers were open.

The questions asked were based on the knowledge obtained during the literature review. The choice of specialists was made through contacts via LinkedIn or by contacting companies directly. In the profiles of respondents there are computer science professionals, data scientists, consultants and marketers. Notes were taken during the conversations with the experts and were extracted and summarized the essential content, and then analyzed according to the research objectives. The evaluation and discussion of the results was guided by the research questions defined and the literature review.

#### **4. ANALYSIS AND DISCUSSION OF RESULTS:**

After collecting data obtained from the interviews with the specialists, data were described and analyzed. The analysis was structured according to the research objectives. First, the benefits of integrating AI into Marketing will be cited by respondents and compared with data gathered from the literature review. Next, all factors that influence the slow integration or non-integration of AI in Marketing will be collected and described. It will then show how companies are using AI in their marketing strategies, and whether SMEs are able to integrate AI into their Marketing processes and finally will be made an analyze of the impact that AI has on marketing costs and revenues.

##### **Benefits of AI Integration in Marketing:**

The main expected benefits will be lower costs and higher revenues. AI delivers benefits on acceleration, faster results, accuracy, better results and relief, reducing tasks that it is not essential for people to do more because it is not a good use of their time (Exp 2, Exp 4, Exp 7). Machines can identify and solve certain problems faster than humans. Machines can do better and on a much larger scale. A human can try to read 10 000 social networking posts in five minutes, but certainly won't do it. The machine can reduce and remove repetitive or unimportant tasks from marketers' lives, for example, a report by a marketer that would last about eight hours can be done by a machine in eight minutes. This way you can reduce repetitive task costs and direct marketers to tasks that are more about creativity, strategy, and decision making (Exp 4, Exp 7, Exp 8).

AI's main advantages in Marketing are: sales development through customization, greater process effectiveness and greater efficiency in marketing investment allocation. Marketers do not need to focus on segmentation, behavioral analysis, consumer journeys. AI will "filter out" huge volumes of data and feed insights that can effectively make a difference to the business (Exp 5, Exp 9, Exp 10, Exp 13). AI's integration into marketing produces benefits for consumers (relevance, convenience, consumer experience) and enterprise/marketers (predicting consumer behavior, anticipating consumer trends, hyper-personalizing content). At the operational level, AI offers the opportunity, through process automation and optimization, to increase the efficiency and effectiveness of company strategy and the quality of work of people (Exp 11).

AI enables the marketing team to deliver a personalized user experience without being overly intrusive. Artificial Intelligence already enables marketers to optimize websites by customizing them for different users, for example by offering them personalized messages and distinctive designs based on their profile and needs. AI will enable organizations across all industries the ability to rebuild personal relationships with their customers. Data provides powerful insight into customers' current needs as well as valuable information about their future needs (Exp 6, Exp 14).

##### **Challenges and Ethical Aspects of Integrating AI in Marketing:**

With all the benefits that come through AI, questions and problems also arise. In recent years, according to respondents, marketers have wondered how marketing can deliver value without being too intrusive (externally) and how marketing can reshape and empower people within companies (internally) to work in this logic. A successful AI strategy can only be effective when there is strong technical (technology, data, processes) and organizational (people, capacity, culture) technical capability. Failure to do so may result in poor performance, even if the company is working with partner companies in some of its AI activities (Expert 10, Expert 11, Expert 12). The first aspect mentioned in the interviews, and one mentioned by virtually all respondents, is trust. Citizens must understand the value of the data they generate (digital footprints) and understand what brands can do with these digital footprints. AI is a relatively new technology and is complex, meaning that the general public (and even technical employees who are unaware of AI) may suspect it exists. Consumers need to be aware of how companies and governments acquire and use data to determine user behavior, such as purchases, recommendations, and voting decisions. Ethics and digital privacy (General Data

Protection Regulations - GDPR) are a concern of individuals, organizations and governments. People will be increasingly concerned about how their personal information will be used by organizations in the public and private sectors. For there to be confidence in technology, companies will need to proactively address these issues. Transparency can do much to increase consumer confidence in AI. By explaining how Artificial Intelligence algorithms use customer data to make their decisions (when, how, and where the customer provided that data), it helps to build confidence (Exp 1, Exp 3, Exp 4, Exp 5, Exp 7, Exp 9, Exp 10, Exp 11, Exp 12, Exp 13, Exp 14, Exp 15).

Another of the most mentioned aspects is data quality and what companies do with data. Many companies have no idea where data is generated and what they can do with data, they do not have data that has a unique view of customers and is properly validated and sanctioned by the company. For AI to be successful, it requires large datasets. However, most large companies have a lot of data locked in various marketing systems they already use. The key is to be able to connect to systems, use this data and unify it - since data is unified around individual customer profiles, AI can tailor campaigns and marketing experiences specifically for everyone (Expert). 3, Expert 7, Expert 10, Expert 12, Expert 13, Expert 14).

### AI Applications in Marketing:

The largest use of AI in Marketing is through machine learning. In the old days the brute force of computational power was used, all movements had to be defined, but with the use of machine learning the algorithms learn for them. Machine learning is an important underlying AI technology that is used to create models that can identify patterns in complex data sets. Marketing is more about personalizing content, the best techniques are based on it (Exp 3, Exp 4, Exp 5, Exp 7, Exp 11). Analyzing the respondents' answers, the main uses of AI are the predictive models, clustering and recommendation systems. Predictive models are used to predict and anticipate consumer movements and behaviors along the stages of the customer journey, to lower dropout rates, identify factors of customer dissatisfaction, manage best customers, and prioritize business.

Clustering models use unsupervised algorithms to do segmentation, that is, they calculate how much one client looks like another and put them in the same cluster if there are similarities. These models improve the customer attraction process - they automate the process, identify audiences and similar targets, and enable marketing to spend to be optimized by segmenting, predicting, and identifying segments more efficiently. They are used to perform more accurate, fast and effective segmentation and targeting. These are the must-have models, meaning that virtually every company should have today (Exp 5, Exp 7, Exp 10, Exp 15).

## 5. CONCLUSIONS:

From the data obtained from both the consulted studies and the interviews carried out within the context of this work, it is concluded that AI will have more impact on the future of marketing and that even SMEs can implement AI. Companies that are currently conducting marketing activities without AI-based solutions must be prepared for change. Developing training for a successful AI strategy in Marketing can only be effective when there is strong technical (technology, data and processes) and organizational (people, skill and culture). The first step in any AI Marketing strategy is to review the company's business and communication strategy. Once the company's business and communication strategy are clear, the best use cases should be identified to help the company achieve its objectives. That is, what are the problems the company wants to solve that with the help of AI can help achieve the company's strategic goals. In the implementation phase, the company needs to think about how to turn its artificial intelligence strategy into reality. Companies need to understand how AI projects will be delivered; those responsible for each action; actions/projects that will need external support. Companies must consider what technology is required to achieve their AI priorities. Companies must understand and define whether it is best for their business objectives, to have an AI team within their own company, or whether will use solutions designed by other companies.

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