THE ROLE OF MARKETING STRATEGY IN THE CONTEXT OF ARTIFICIAL INTELLIGENCE

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Abstract

Artificial intelligence (AI) has emerged as a powerful tool for organizations in a variety of ways, automating processes to cut costs, analyzing data to provide financial insights, and more. But, according to McKinsey, marketing is where AI's impact will be greatest, automating tasks, but more importantly, analyzing data to provide insights to create more effective marketing strategies. At the same time, the use of artificial intelligence comes with certain risks, so companies need to strike the right balance between human marketing efforts and using artificial intelligence to enhance their efforts.

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1. Introduction – AI potential in marketing

It is important to take a strategic approach to how companies and agencies can integrate this technology into their marketing activities in order to reap the benefits. Artificial Intelligence (AI) has found applications in different contexts in today's business landscape and is seen as a given for the success of today's and tomorrow's businesses. Experts and researchers see AI as the future of our society, and its adoption in marketing has gained ground, especially due to the ease with which content can be created
AI is changing the marketing industry by creating new opportunities [15] by changing the way companies communicate with their customers, i.e.:

✓ *data analytics* - AI enables marketers to monitor customer data and uncover hidden patterns and trends. This enables informed decisions by gaining a deeper understanding of customer behavior and preferences;

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✓ *content generation* - AI can generate personalized content, from product descriptions to social media posts, at scale. This frees marketers to focus on creative strategy and ensures content resonates with specific audience segments;

✓ *personalization* - AI analyzes individual customer data and behavior to enable hyper-personalized marketing experiences. Through dynamic content recommendations, personalized email campaigns and personalized product suggestions; AI-driven personalization drives deeper customer engagement and loyalty, boosting conversion rates and customer satisfaction;

✓ *audience segmentation and targeting* - AI algorithms can segment audiences, identify the most important customers, and activate targeted marketing campaigns. This maximizes campaign effectiveness and ensures resources are directed to the most responsive audiences;

✓ *programmatic advertising* - AI automates the process of buying and selling ad space, optimizing bid amounts in real time for maximum reach and profitability. This helps marketers save valuable time while delivering impactful ad campaigns;

✓ *search engine optimization (SEO)* - AI can analyze search trends and user behavior to inform SEO strategies. This helps marketers identify relevant keywords, optimize content for search engines and improve their organic search rankings.

2. AI in marketing

Artificial Intelligence (AI) is the technology with a tremendous capacity to transform the field of marketing in the years to come [12], being able to even surpass the impact made by technologies such as the Internet of Things, Big Data and blockchain.

Source: https://www.transilvaniabusiness.ro

In today's economic context, [9] marketing activities are characterized by complexity, and for most marketing managers, identifying the specific contexts where AI can be applied becomes necessary. The role of marketing strategy in the context of AI has changed, migrating from a role focused on efficiency and productivity to being more about predicting the next wave and preparing the company to seize opportunities.

A categorization of marketing activities is necessary in order to determine the context in which they are carried out and how they can be carried out successfully; thus, they can be categorized based on their characteristics and dynamics [12].

The simple category includes all marketing activities that already have a best-practice, a rule of thumb, and this can include classic offline campaigns (TV, outdoor, print, etc.), search engine optimization (SEO) or email marketing campaigns. The complex category includes all activities that can be solved by multiple tactics, where expertise is required, and here I am referring to market analysis, data interpretation and strategy development. Complicated are activities where there is a lot of ambiguity and the relationship between cause and effect is unknown. This category includes activities such as social media marketing, content creation, entering new markets and targeting new consumer segments.

Starting from this categorization of marketing activities, it is necessary to understand the types of AI technologies available (Table 1). Due to excessive media coverage, a misperception has been created that AI is all about generativity where you can easily make content and automate certain repetitive tasks. The potential of AI [6] is much broader and can be briefly classified into three broad categories of abilities: mechanical that can be used for standardization, cognitive for personalization of the created content and emotional for automatic relating. Tabel 1. Potențialul IA în funcție de activitatea de marketing

Marketing activity	Platform
data collection	ParseHub, Octoparse or import.io
market analysis	Brandwatch, Hootsuite Insights or Sprout Social
understanding consumer bahavior	Clarifai or Amazon Rekognition
product reporting	Affectiva, IBM Watson Customer, Experience Analytics Realeyes, Emotics, Clarabridge, Neuro-Insight
product customization	Hubspot, Marketo and Pardot
price customization	Zilliant, Vendavo, Dynamic Yield
setting prices dynamically	Omnia and Vendavo Price Optimization Aplications
placement and distribution	Sales Force Einstein, Adobe Sensai, Dynamic Yield, Oracle CX Unity, SAS Customer Intelligence

promotion of products and services	Chatfuel, Manychat and chatbot.com
personalizing messages	Blueshift, Persado and Emarsys
more interactive communication	Affectiva, IBM Watson Tone Analyzer, Receptiviti, Emotion AI de la Empath

Source: https://www.transilvaniabusiness.ro

- ✓ The role of artificial intelligence in marketing is growing exponentially. The revenue generated by AI in marketing has been estimated at more than $27 billion by 2023, and this figure is expected to grow to more than $107 billion by 2028. The top 28% of all businesses are already actively using AI marketing tools.

- ✓ its biggest impact comes from its ability to quickly analyze large amounts of data to provide insights about customers [2]; it can find out what customers like, where they go online, what buying patterns they have and what types of messages they respond to;

- ✓ can automatically create targeted and personalized ads on websites a customer visits;

- ✓ can analyze data by customer segments to determine the types of messages each segment responds to and which channels are most effective at reaching them; this allows marketers to create targeted marketing campaigns for each customer segment;

- ✓ chatbots and AI-powered virtual assistants on a company's website can be used to improve the customer experience on the website by answering questions and making personalized recommendations based on customer data;

- ✓ can help accomplish simple tasks; a new business can even use AI to create unique business names; for SEO, AI can help find keywords and perform SERP analysis.

- ✓ regarding the overall performance of your website, can assist with a website audit so that problems can be identified and steps taken to optimize the site;

- ✓ can automate social media posts and email campaigns and contribute to content can even create content; a better use of AI is to generate relevant content topics and create drafts of articles or posts that the editor can use as a basis;marketing strategies;

- ✓ One interesting use of artificial intelligence is in retail stores. *For example, home improvement store Lowe's has created an AI-powered app that customers can use in-store. It gives customers personalized product recommendations and information as they shop.*

It also tracks inventory in real time, which gives retailers insight into buying trends at any given moment. So they can focus their marketing efforts on on-trend products.

Source: https://www.ranktracker.com/
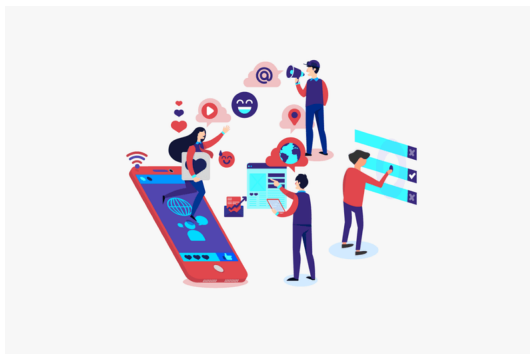
The use of artificial intelligence in marketing has a multitude of benefits, such as:

- ✓ one of which is improving efficiency and reducing costs; by automating tasks, marketing costs can be reduced by approximately 10% to 20%;

- ✓ saves time as AI can perform tasks quickly, allowing marketing efforts to reach target audiences faster;

- ✓ artificial intelligence can significantly improve the customer experience and increase engagement due to its ability to provide personalization on and off your website. Personalization then creates a connection between the customer and the brand, which, of course, increases the likelihood that they will make purchases;

- ✓ artificial intelligence also increases a company's ability to find qualified leads;

- ✓ the greatest benefits come from its ability to enable data-driven [2] decision making for marketing strategies, provide real-time insights and perform predictive analytics. By collecting huge amounts of customer information in real time and predicting customer behavior, marketing strategy will be continuously optimized without the need for a human to conduct hours of research. [10]

The adoption of artificial intelligence (AI) is having a positive impact on organizations, with six out of ten (60%) marketing executives overseas claiming to have used this technology in their activities over the past year, according to the results of a survey, cited by Agerpres. Thus, according to data analyzed by Deloitte in the latest edition of the Chief Marketing Officer (CMO) Survey [13] conducted by Duke University, with the use of AI, sales productivity improved by 6% and customer satisfaction by 7%, while indirect marketing costs decreased by 7% [14], thus:

- ✓ content personalization (53%) and content creation (49%) are the main areas where artificial intelligence is used in marketing activities;

- ✓ improving return on digital marketing investments by optimizing content and timing of activities (37%);

- ✓ programmatic advertising and buying ad space (35%);

- ✓ in the content creation segment, blogs (65%), website content (62%) and social networks (55%) are the main areas where organizations are using AI-based tools;

- ✓ nearly a quarter of marketers (24%) surveyed believe their organizations are making integrated digital investments, compared to just 14% last year (2022);

- ✓ Deloitte's report highlights a slight increase, up 2% from 2022, in spending on mobile marketing actions to 16% of the marketing budget, which will surpass the pandemic peak of 23% in five years, reaching an estimated 27%;

- ✓ marketing executives continue to report that mobile marketing makes a poor contribution to company performance (2.9 on a scale of 1 to 7), due to the difficulty of tracking the consumer journey across all digital interaction points (40%), the difficulty of linking mobile activities to overall marketing strategy (38%) and insufficient expertise of teams in this area (37%);

- ✓ spending on social media accounts for 16% of the marketing budget, and the study estimates that it will remain constant over the next 12 months, increasing by just 3%. However, over the next five years, it will surpass its pandemic peak of 23% to 24%;

- ✓ in terms of the skills of future marketers, the top priority identified by respondents is the ability to quickly reassess their approach as new priorities emerge, followed by creativity and the ability to innovate and navigate in an uncertain context.

The latest edition of the CMO Survey is the result of responses from more than 300 marketing executives across 15 industries in the US.

3. Integrating AI into marketing activities at tactical level

According to McKinsey the biggest financial benefits of AI have been seen in marketing and sales, product and service development, strategy and finance. Profitability is the main reason why companies have started to integrate AI into their marketing activities.

In the advertising industry, agencies have been quick to embrace AI, integrating it into their operations and the services they provide to clients. Some ad agencies have acquired technology companies and launched additional services. For example, WPP, the world's largest advertising agency, acquired London-based technology company Satalia and began

using AI to attract new clients and create campaigns such as Nike's 50th anniversary campaign.

Mark Read, CEO of WPP, sees AI as a creative tool rather than a replacement for their global workforce of 10,000, enabling true creativity to emerge. Publicis, on the other hand, has focused on data science and launched Publicis Sapient Data & AI capabilities to develop innovative solutions across industries using generative AI, natural language processing, computer vision and autonomous systems. Omnicom, in partnership with Microsoft, launched Omni Assist, a virtual assistant designed to support advertising agency employees with various tasks throughout the advertising process.

Corporations are also integrating AI into their marketing processes. Procter & Gamble has formed a multi-year partnership with Microsoft to transform its digital manufacturing platform to speed product delivery, improve customer satisfaction, increase productivity, and reduce costs.

Retailers have already integrated AI into their customer experience, both in-store and online, making it easier to find products, place orders and pick up parcels. H&M ensures that their most popular products are always in stock, while Sephora helps customers find the perfect lipstick shade through AI. Sephora has developed Color IQ which scans ladies' faces to give them personalized recommendations for foundation and concealer shades, while Lip IQ helps find the perfect lipstick shade.

Instead, Walmart plans to use robots to patrol aisles and scan shelves. The robots help identify missing products, replenishment needs and price tag changes, allowing employees to focus more on interacting with customers and stocking shelves.

4. Challenges

Everything has its drawbacks and risks [11], and the use of artificial intelligence in marketing is no exception. Data privacy and security concerns are one of the main risks associated with the use of artificial intelligence. AI-powered marketing systems require large amounts of data to operate, and storing and processing such large amounts of sensitive customer information increases the risk of data breaches.

Another risk comes from flaws that may be present in artificial intelligence algorithms. AI algorithms can inherit biases from the data on which they are trained, which can lead to unintentional discrimination in marketing campaigns. They can also inadvertently create customer profiles based on demographics and behavior, which can lead to targeted advertising that excludes or marginalizes certain groups of people.

Additionally, over-reliance on AI-driven personalization could lead to invasive and persistent targeting. When customers feel that their privacy is being invaded, this can lead to negative brand perceptions and decreased trust. This emphasizes the need for human intervention - only a human has empathy and sensitivity to the feelings of others.

Finally, using artificial intelligence to create content for marketing comes with potential problems. When it comes to content, empathy and human perspectives are essential for it to connect with readers. A company that uses AI-generated content thus risks risking its connection with its audience.

- ✓ *data quality and availability* - AI algorithms rely on large volumes of high-quality data to provide accurate insights. Marketers can face challenges in ensuring data quality, managing large volumes of data, incomplete or inaccurate data, and dealing with privacy issues;

- ✓ *interpreting incomplete data* - data collection for marketing often brings incomplete information such as social media posts, customer reviews and images. Interpreting these correctly requires advanced natural language processing (NLP) and image recognition skills, which can be difficult;

- ✓ *ethics and privacy issues* [1] - The use of AI in marketing raises ethical issues including privacy, transparency and fairness. Marketers need to navigate regulations, comply with data protection laws, and address concerns about fairness or discrimination in AI algorithms;

- ✓ *marketer - AI collaboration* - getting the right balance between human creativity, intuition and AI-guided analytics is essential. Marketers need to collaborate effectively with AI systems, using AI as a tool to support decision making rather than replacing human expertise;

- ✓ *algorithmic transparency* - AI algorithms can be complex, making it difficult to understand how specific recommendations or predictions are generated. Making AI algorithms transparent is important to build trust and explain marketing strategies;

- ✓ *continuous learning and adaptation* - AI models require continuous learning and adaptation to remain effective as the marketing context evolves. Regular updates and re-training of AI systems are required to identify changes in consumer behavior and market dynamics;

- ✓ *measuring profitability* - assessing the financial benefits of AI-based marketing initiatives can be complex. Accurately measuring the impact of AI on metrics such as customer acquisition, retention or revenue generated requires clear benchmarks, accurate tracking and precise attribution.

One possible solution to these risks could be to ensure ethical practices in AI, so first and foremost, companies need to implement robust data security measures to protect customer information from breaches.

It is also necessary to regularly audit artificial intelligence algorithms [5] for bias and take corrective action to ensure fair and ethical marketing practices. Finally, they must comply with data protection laws and regulations governing the use of personal data.

Companies need to strike a balance between AI-based marketing knowledge and human expertise. While AI can provide valuable data-driven guidance, it cannot replace the intuitive insight and creative vision that humans bring. Human expertise enables a deeper understanding of customer emotions, cultural nuances and context, allowing marketers to create narratives that resonate with their audience. In other words, artificial intelligence should enhance human marketing efforts, not replace them

To address these challenges, long-term strategic thinking, investment in resources, collaboration between marketers and IT specialists, and a commitment to ethical practices and transparency are essential. In conclusion, small businesses are likely to face additional constraints due to resource limitations, artificial intelligence and all of the above platforms are not cheap and to be able to integrate them all will require considerable investment.

The first step in using artificial intelligence for marketing is to identify and select data sources that are relevant to specific marketing objectives. Data must be accurate, reliable and representative of the target audience to avoid bias. By carefully analyzing data sources, marketers can ensure that AI algorithms are getting the right information, which will lead to more accurate predictions and insights.

In addition, before feeding data into artificial intelligence algorithms, thorough data cleaning and validation are essential to eliminate errors. This can improve the effectiveness of AI-based analysis, leading to more accurate results.

Lastly, while AI can analyze historical data to identify patterns and trends, it is essential to consider market dynamics and external factors that could impact the accuracy of predictions. Market trends, competitor activities and the economy in general are variables that can influence consumer behavior. Again, people are invaluable in integrating these variables with data.

To be accurate, artificial intelligence models need to be trained with regularly updated data [8] in addition, it is essential to monitor the performance of artificial intelligence tools and adjust algorithms regularly. As market conditions, consumer behavior and even business goals evolve, it is important to update AI algorithms to ensure their effectiveness.

Artificial intelligence also continues to evolve rapidly, so it's important to keep up, adopting new tools as they emerge in the market to stay competitive. Likewise, regulations around the use of artificial intelligence will inevitably evolve. Marketers need to keep up with these regulations, as well as artificial intelligence best practices, so that they use artificial intelligence responsibly and ethically.

Companies need to have robust policies on the use of artificial intelligence in marketing and other areas to ensure this happens.

5. AI concerns hindering AI adoption in marketing

While AI offers numerous benefits, there are legitimate concerns that may affect its wider adoption in marketing. Here are some key obstacles:

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- ✓ *data security*: Marketers manage a large amount of sensitive customer data. AI security concerns, data breaches and data misuse with AI tools can be a significant deterrent;

- ✓ *vague AI regulations*: Legal areas around AI are still evolving. Unclear regulations can create uncertainty and hesitancy around data privacy and consumer rights in AI-enabled marketing strategies, according to 30% of respondents;

- ✓ *lack of AI strategy*: Many companies do not have a clear roadmap for implementing AI. The potential of the technology can remain unrealized without a well-defined strategy [7] that aligns AI with overall marketing goals;

- ✓ *implementation cost/expensive technology*: Advanced artificial intelligence tools can come with a hefty price tag, posing a challenge for companies with limited budgets. According to GetResponse (GetResponse| Professional Email Marketing for Everyone), 35% of respondents are concerned about the cost of AI. In addition, the cost of deployment and integration with existing infrastructure can be a barrier;

- ✓ *skills/training gap*: Effective use of artificial intelligence requires a new set of skills within marketing teams. Moreover, upskilling current employees or recruiting people with expertise in AI and data analytics may require additional investment.

6. Strategies to overcome AI adoption challenges

The power of AI in marketing is undeniable [11]. But addressing the barriers to adoption is critical. Here are key strategies to address these challenges:

✓ *education and training* - marketing teams with the knowledge and skills to work effectively with AI;

✓ *collaboration with AI experts and consultants* - team with artificial intelligence experts for guidance;

✓ *pilot projects and test phases* - implementing pilot projects with specific objectives to test the effectiveness of AI tools in marketing efforts;

✓ *transparency and communication* - openly communicating the benefits and limitations of AI in marketing to all stakeholders. Addressing privacy concerns and fostering a sense of trust in AI implementation is important for successful adoption. [3]

✓ *continuous monitoring and evaluation* - monitoring on a regular basis, analyzing results and adapting strategies as necessary;

✓ *information on evolving AI regulations* - proactively proactively stay abreast of emerging AI regulations, such as the EU AI Act, to ensure compliance and mitigate legal risks. Building a culture of responsible AI use can build consumer trust and promote long-term success. [4]

7. Conclusion

Clearly, artificial intelligence has the potential to improve a company's overall performance and help it grow through more effective marketing campaigns. Remarkably, the technology is still at a relatively early stage of development, so while it's having such a big impact now, in the future it will grow significantly.

However, it is important to be aware of the potential risks in order to establish clear company policies on its use. It is also essential to pay attention to emerging regulations on its ethical and responsible use to remain compliant.

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