

Generative AI, Disruptive Innovation, and Marketing Firm Strategies: Opportunities and Implications

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ABSTRACT

This study investigates the potential of small marketing firms to disrupt the market by adopting generative AI technology and the theory of disruptive innovation. The study employs a qualitative approach, combining a comprehensive literature review with in-depth interviews with leaders of small marketing firms. The research findings position generative and conversational AI as the next technological evolution, succeeding the internet and mobile/social era. It is the first study applying the theory of disruptive innovation to generative AI use in small marketing firms, presenting a positive outlook toward integrating generative AI into marketing operations. The study contributes to the emerging knowledge of AI in marketing, offering practical implications for scholars and practitioners to advance this field.

1. Introduction

Generative AI, also referred to as AI or machine creativity falls under the realm of intelligence. It involves machines producing content, like images, music, and text (*What Is ChatGPT, DALL-E, and Generative AI?*, 2023). In the marketing field, generative AI plays a role in creating distinctive content for consumers. It also aids in predicting consumer behaviour and enhancing marketing campaigns. The potential impact of AI on the economy, society, and technology in the marketing sector is immense. It can revolutionize how businesses connect with and engage their customers.

As per a report by the World Economic Forum, generative AI is a game changer for industries and society at large. It is expected to become a tool for businesses striving to maintain competitiveness in the market. *The* report emphasizes that generative AI has potential across sectors such as healthcare, education, entertainment, and marketing. By 2028 it is projected that the generative AI market will be valued at an estimated \$63.05 billion (Larsen & Narayan, 2023).

The marketing industry encompasses a market that encompasses diverse services ranging from advertising to market research. According to Statista's data, from 2022 this global marketing services market was valued at \$1.8 trillion in 2021. It is anticipated to reach \$2.3 trillion by 2028 (Statista, 2022). The marketing industry anticipates that the use of AI will grow significantly with a projected value of USD 22.1 billion, by 2032. This growth will be driven

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by a compound growth rate (CAGR) of 28.6%. Currently, North America is at the forefront of this market primarily because it has embraced AI early and is home, to large marketing companies. The Asia Pacific region is predicted to experience growth because of the increasing usage of the Internet and the rapid expansion of e-commerce. Key players, in this market include IBM, Microsoft, Google, and Adobe among others (SkyQuest Technology Consulting, 2022).

Small companies play a role in adopting and commercializing disruptive technologies (Kassicieh et al., 2002). Generative AI can assist marketing firms with less than \$50 million in revenue to expand their market shares and *grow*. The theory of disruptive innovation introduced by Clayton Christensen in the 1990s explains how smaller and less established companies can disrupt established players by offering innovative and cost-effective services. Over time these newcomers enhance their products/services. Gradually challenge established players (Larson, 2016).

The field of AI in marketing has recently gained interest. However, there is a lack of research on this topic. This scarcity can be attributed to the availability of this technology. Moreover, with the introduction of GPT 4.0 in 2023 advancements in this field have been rapid. As a result, researchers and practitioners alike must stay updated with the developments. Marketing professionals also need to keep pace with these advancements to remain competitive in today's evolving marketing landscape. Additionally, it is important to guide the development of this technology by conducting research and exploring its applications in marketing as technology continues to progress.

The primary goal of this study is to investigate how small marketing firms can compete with larger and more established firms by adopting generative AI. These disruptions can be achieved by offering yet cost new services while entering at the bottom end of the market and gradually moving, up the market. *Furthermore*, this study delves into the capabilities and expertise that organizations must possess to effectively utilize this technology. Specifically, the research addresses the following inquiries: 1) How can small marketing firms leverage AI to spearhead industry transformation, in relation, to disruptive innovation theory? 2) What novel cost-efficient solutions can these firms develop to meet evolving client demands? 3) What organizational and individual skills will be essential for future marketing agencies to work efficiently with AI technology?

2. Literature Review

2.1. Summary

Table 1 summarizes the literature review of *earlier* literature on generative AI in marketing. The body of knowledge about generative AI, specifically in marketing, is limited. Earlier studies mostly tackled the different applications, opportunities, and risks associated with the use of AI in marketing. A few studies were found that examine the changing needs of customers and clients considering the shift towards AI in general. However, no studies found that explore the topic against an established marketing or business theory. The main lines of thought relevant to the topics include firm adoption of new technology, changing marketing needs, and organizational capabilities.

Table 1.

Generative AI in marketing earlier literature summary

Topic	Findings	Sources
Generative AI applications in marketing	Numerous applications in strategy, branding, language, audio, visual, and synthetic data domains, including personalization, content creation, predictive analytics, digital advertising, customer service, and product design.	(Dilmegani, 2023; Graham, 2023; Harris, 2023; Market.U.s, 2023)
Disruptive innovation	The key components are technological enabler, business model innovation, targeting underserved customers, and pursuit of profitability.	(Canavan et al., 2013; Chen et al., 2017; Chomvilailuk, 2016; Christensen et al., 2003.; Nogami & Veloso, 2017; O'reilly & Binns, 2019)
Firm adoption of new technologies	Organizational readiness is crucial for AI adoption, affected by management support, firm size, resources, competition, and regulations.	(Alsheibani et al., 2018; Fitzgerald et al., 2013; Pérez-Luño et al., 2011)
Changing marketing needs and agency model in the AI era	The economy shifting to services, with high expectations for AI, major challenges include using customer data, social media threats, new digital metrics, and talent gap in analytical capabilities, Clients seek specialized expertise and measurable results, and agencies need to be agile, incorporate data/tech, and embrace innovation, personalization, and recommendation systems are important for future marketing research.	(Beckett Jr, 2021; Davenport et al., 2020; Hoffman et al., 2022; Kapoor, 2017; LeeFlang et al., 2014; Rust et al., 2019)
Firm and individual skills needed to leverage generative AI	Firms need to balance creativity and AI, identify creative areas, and hire/train individuals with skills in innovation, tech, and customer orientation, AI positively affects employee performance/work engagement, influenced by change leadership, digitization, and AI offers potential benefits for salespeople, shifting sales skills from hard to soft skills.	(Ameen et al., 2022; Montana et al., 2014; Ritz et al., 2019; Singh et al., 2019; Wijayati et al., 2022)

2.2. Current Generative AI Applications in Marketing

Generative AI has already been used in plenty of marketing applications as seen in Figure 1. These start from broad planning, branding, and creative strategies to tactical content generation, customer service, personalization, and prediction. Generative AI has numerous applications in language, audio, visual, and synthetic data domains. Language-based generative models, such as Large Language Models (LLMs), are being utilized for generating essays, developing code, translating, and understanding genetic sequences (e.g., ChatGPT). In the audio domain, generative models are used to create songs, recognize objects in videos, and generate accompanying noises, and custom music (e.g., Jukebox). The most popular application of generative AI in the visual domain is image creation, including 3D models for video games, designing logos, and enhancing existing images (e.g., MidJourney). Synthetic data created through generative models is also useful to train AI models when data is restricted or does not exist, which can be accomplished through label-efficient learning (Nvidia, 2023).

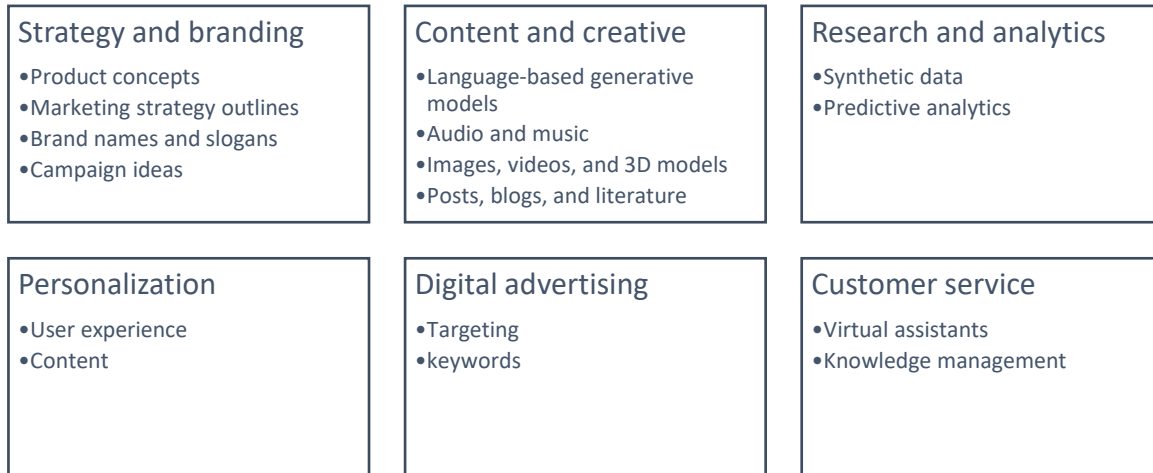


Figure 1. Current generative AI applications in marketing

Sources: (Dilmegani, 2023; Gill, 2023; Market.Uz, 2023)

Personalization is a discussed application of AI, in the field of marketing. By analysing consumer data, generative AI can create tailored content that directly speaks to each individual's interests and preferences. This can encompass aspects ranging from product recommendations to *customized* emails and advertisements that cater to the unique needs of every consumer (Dilmegani, 2023).

Another area where generative AI finds its application in marketing is content creation. As highlighted in an article by the Wall Street Journal "AI can generate product descriptions, blog posts and social media posts." By analysing amounts of data and comprehending language intricacies and tones generative AI can efficiently produce high-quality content on a scale. This *proves* advantageous for businesses requiring amounts of content within short timeframes, such as e-commerce companies and content marketing teams (Graham, 2023). Moreover, generative AI exhibits the potential to generate marketing materials like photos and videos to create scripts for various purposes including influencer marketing strategies.

Predictive analytics is another area where generative AI has made strides in marketing. It leverages data, from sources like media, web browsing behaviour, and purchase history to predict which products or services individual consumers are likely to be interested in. An article published on *Emerald Insight* highlights how generative AI enables organizations to gain insights into customer engagement patterns and uncover trends that might otherwise go unnoticed (Lee et al., 2023).

Generative AI is also being employed in advertising to precisely target audiences and improve keyword selection. By scrutinizing amounts of data, it can identify hidden patterns and correlations that may elude observation leading to more precise ad targeting. Furthermore, generative AI aids in optimizing keyword selection by predicting which keywords will yield performance based on factors such as search volume and competition.

Apart from these applications, there are emerging use cases, for generative AI within the field of marketing. Chatbots, customer service virtual assistants, and even product design are examples of how generative AI can be utilized. By automating tasks and offering personalized real-time *assistance* to customers generative AI has the potential to enhance customer service and improve the customer experience (Gill, 2023).

Furthermore, generative AI can also contribute to generating branding and campaign ideas. Through analysing consumer preferences and market trends generative AI algorithms can generate brand names, logos, and concepts for marketing campaigns. As of September 2023,

there is a growing interest among marketers and business professionals, in tools specifically designed for AI-generated marketing strategy and content. Some noteworthy examples include Copy.ai, Jasper.ai, Writersonic, and Copysmith (Harris, 2023).

2.3. The Theory of Disruptive Innovation and Firms Growth

When a new technology or product is introduced into the market disruptive innovation takes place. Initially, it caters to a niche or low-end market. However, over time it improves in performance. Gains acceptance. Eventually, it replaces the existing market leaders. Disruptive innovation can be a *strategy* for companies to expand because it allows them to enter markets where the current dominant players are either reluctant or unable to compete. The key, to utilizing innovation successfully is starting with a market segment and progressively enhancing the product or service. By doing the company can gradually improve its offering. Establish a presence, in the market while incumbents prioritize their existing customer base and disregard emerging opportunities. In the context of generative AI and small marketing firms, the latter can tailor cost-effective generative AI marketing solutions that can produce proper quality at a lower agency fee.

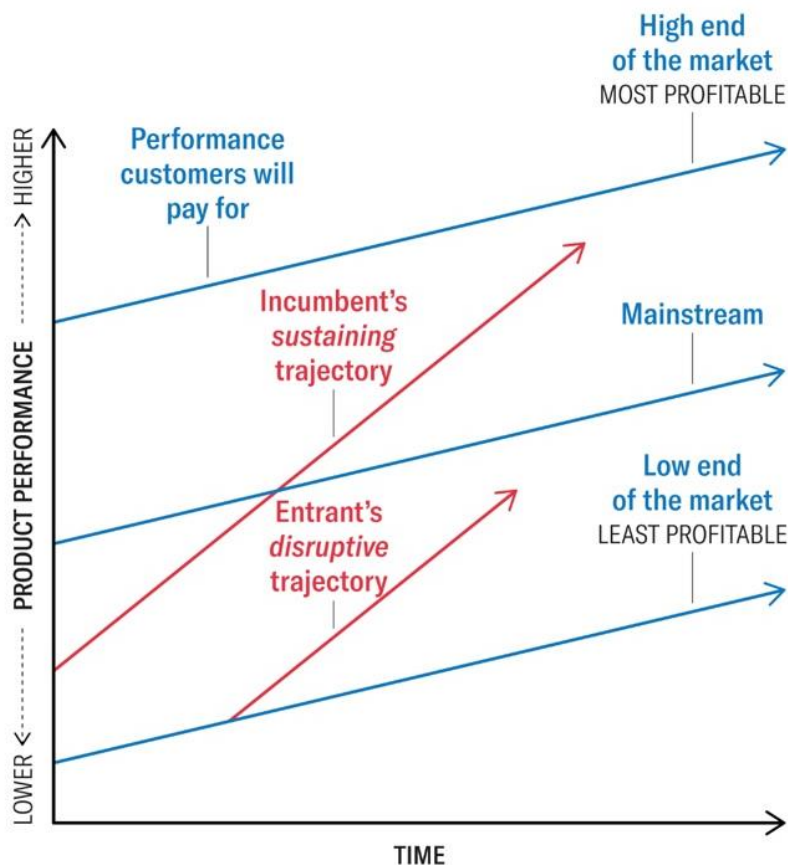


Figure 2. The theory of disruptive innovation

Sources: Christensen et al. (2015)

There are four key components of disruptive innovation: 1) Technological Enabler: The new technology must be used in a way that creates new opportunities or reduces costs in the existing market.; 2) Business Model Innovation: A new business model is required to support the new technology and make it profitable.; 3) Targeting Underserved Customers: Disruptive innovators target customers who have been overlooked or underserved by existing companies.;

4) Pursuit of Profitability: Disruptive innovators must pursue profitability by scaling their operations and *expanding* their market share (Larson, 2016).

Christensen et al. (2015) explain disruptive innovation is characterized by two key elements: first, it initially provides a simpler, more affordable product or service that meets the needs of a previously underserved market segment, and second, it eventually improves to the point where it can compete with existing solutions for mainstream customers. In the context of this study, small *marketing* firms may provide marketing content generation or creative services to a particular underserved niche for a lower cost. They clarify that disruptive innovation is not the same as sustaining innovation, which involves incremental improvements to existing products or services. Instead, disruptive innovation creates entirely new markets and business models that eventually replace existing ones. They defend that disruptive innovation can come from a variety of sources, including new business models, marketing strategies, or distribution channels (Christensen et al., 2015).

Nogami and Veloso (2017) discuss the relationship between marketing and disruptive innovation, emphasizing that market and consumer needs, particularly those of low-income customers, or small businesses in the context of this study, are key to its development rather than large investments in technology. They stress the need for customized solutions for product and service development, rather than just adaptation of existing high-income market offerings (Nogami & Veloso, 2017). An empirical study on Chinese small and medium enterprises found that entrepreneurs' innovation willingness is needed for disruptive innovation. Additionally, *external* knowledge and a dominant position in R&D are important (Chen et al., 2017).

2.4. Changing Marketing Needs in the AI Era

The future economy is expected to be more global, service-dominated, driven by information, and increasingly automated, and will demand the abandoning of traditional business models and practices. Therefore, companies must be willing to adapt to this changing landscape to remain competitive. The economy is shifting more towards services, and goods-producing companies should transition towards service-based offerings, especially in the information service sector.

Customers have a higher standard for AI than is normatively appropriate, especially for consequential tasks, such as driving. They trust AI less and believe it lacks the affective capability or empathy needed for tasks that involve subjectivity, intuition, and affect. Customers' risk perception is also a factor in AI adoption, and women are less likely to adopt AI than men, especially for consequential tasks. Moreover, when a consumption activity is central to a customer's identity, they may be less likely to adopt AI for that activity as they perceive it as cheating and hindering the attribution of credit post-consumption (Davenport et al., 2020).

Hoffman et al. (2022) discuss the trends of personalization and recommendation systems as an important area for future research in marketing decision-making. With technology-enabled interactions, marketers have the opportunity to observe consumers engaged in new ways with *products* and create new sources of value for both consumers and firms. In addition, two important trends in consumer behaviour: the adoption of augmented/virtual reality and autonomous products. The use of virtual reality (VR) and augmented reality (AR) requires updated theories on how consumers process context-relevant information, embodiment, and presence. Meanwhile, the adoption of autonomous products raises questions about how consumers perceive, feel about, and interact with these devices and their agency, autonomy, and authority (Hoffman et al., 2022).

Kapoor (2017) suggests that marketing agencies should shift from the traditional project-based model to a more holistic approach that focuses on long-term client relationships and provides a range of services *beyond* just advertising. This requires a shift in organizational structure and culture, as well as investment in technology and talent development (Kapoor, 2017). Beckett (2021) discusses how the advertising agency model is changing and how agencies need to adapt to stay relevant in the industry. It highlights that clients are increasingly looking for specialized expertise, which small marketing firms have more opportunity to develop, and measurable results, rather than just creative output. The article suggests that agencies need to become more agile and adaptable to meet the evolving needs of clients. It also discusses the importance of data and technology in modern marketing, and how agencies need to incorporate these elements into their services. Finally, they emphasize the need for agencies to embrace a culture of innovation and experimentation to stay ahead of the curve (Beckett Jr, 2021).

2.5. Capabilities and Skills Needed for Smaller Marketing Companies to Adopt New Technologies

To leverage AI in shaping marketing professional services' future, firms need to focus on balanced augmentation of creativity and combine the capabilities of human intelligence (HI) and artificial intelligence (AI). Also, they should ensure that potential employees possess the willingness and curiosity needed to go beyond current limits, and possess skills such as managing innovation and change, understanding technology, anticipating advancements, being customer-oriented, and *being* flexible.

Firms should focus on balanced augmentation of creativity in marketing, combining the capabilities of humans and AI to obtain the best results, instead of automation. They need to identify the areas in the customer journey that most require creativity and adopt AI in business while maintaining a good *standard* of resources, including hiring and training creative individuals who are knowledgeable about AI technology. Firms also need to ensure that potential employees have the willingness and curiosity needed to go beyond the current limits, as human intuitive reasoning is combined with the accuracy and precision of machines. AI technology can assist with developing more effective marketing strategies, enhancing the customer journey, and transforming how firms attract, nurture, and convert prospects (Ameen et al., 2022).

Acemoglu et al. (2022) examine the relationship between the rise of AI and changes in the labour market in the US. The study finds that the surge in AI activity is driven by establishments with high exposure to AI, and this is reflected in changes in the skills demanded by these establishments. Specifically, these establishments cease to post vacancies that list a range of previously sought skills and start posting additional skill requirements, indicating that some tasks that workers used to perform are no longer required, while new skills are simultaneously being introduced. The study also finds that AI-exposed establishments reduce their non-AI and overall hiring (Acemoglu et al., 2022).

3. Methods

3.1. Research Framework

In this paper, a qualitative research approach is employed and founded based on the theory of disruptive innovation, combining a comprehensive literature review with in-depth interviews. This study applies the four components of disruptive innovation—technological enabler, business model innovation, targeting underserved customers, and pursuit of profitability—to

construct a research framework that assesses how small marketing firms can leverage generative AI to compete with incumbents. By examining the adoption of generative AI technologies (technological enabler), the study evaluates how these firms enhance their service offerings through AI tools like content generation and predictive analytics. It explores business model innovation by investigating how firms develop cost-effective, AI-driven marketing solutions that differentiate them from larger competitors. The framework also identifies strategies for targeting underserved customer segments, such as SMEs and niche markets, where generative AI enables tailored services unmet by larger agencies. Lastly, it assesses the pursuit of profitability by analyzing how AI integration allows firms to scale operations, reduce costs, and improve profitability metrics. This comprehensive approach guides data collection through questionnaires and interviews, focusing on these four components to measure the capabilities and strategies of small marketing firms in adopting generative AI for competitive advantage.

The author used ChatGPT version 4.0 to aid in interpreting the interviews questionnaire answers ChatGPT can analyze qualitative interview answers and data by utilizing advanced natural language processing (NLP) techniques to extract meaningful insights from textual responses. Through tokenization, it breaks down interview transcripts into smaller units, enabling efficient processing of large volumes of text. The model can capture the contextual understanding of words and phrases within the responses, grasping nuances and underlying meanings expressed by interviewees. By performing semantic analysis, ChatGPT identifies overarching themes and patterns across different interviews, effectively assisting in thematic analysis. It can also conduct sentiment analysis to determine the emotional tone of the responses—categorizing them as *positive*, negative, or neutral—which helps researchers understand participants' attitudes and feelings toward specific topics (Lee et al., 2024).

3.2. Questionnaire

Based on the literature review, the in-depth interview questions explore generative different AI applications, the components of the theory of disruptive innovation (i.e., product innovation, process innovation, targeting underserved customers, and business model innovation), and the foreseen *changes* in labour requirements and skills in the marketing professional services industry. These 12-question interviews took about 30 minutes to complete.

1. What do you see as the most promising applications of generative AI for your firm to serve its clients (e.g., strategy, product, content, digital advertising, music, videos, images, user interface, customer service, etc.)?
2. Do you believe that the integration of generative AI into marketing operations has the potential to drive changes in the traditional marketing agency business model, and if so, what specific changes do you anticipate?
3. How ready do you think your firm is for the adoption of generative AI, and what factors do you think will impact your firm's readiness?
4. What role do you see for generative AI in driving growth and competitiveness for your firm in the coming years?
5. How do you envision balancing human creativity and AI in your operations, and what areas do you think are best suited for AI?
6. What organizational capabilities do you think are necessary to leverage generative AI effectively, and how are you developing these skills within your organization?

7. How do you identify and target underserved clients and/or customers in your marketing strategy, and how could generative AI help in this regard?
8. What metrics or indicators do you use to measure the profitability of your marketing efforts, and how might these change with the integration of generative AI?
9. How do you think generative AI can enable your firm to offer new and innovative products or services to your clients, and what are some examples of this?
10. How might generative AI impact your pricing strategy and overall revenue streams, and how can your firm stay agile in responding to these changes?
11. Do you believe that generative AI can give smaller marketing firms a competitive advantage over larger firms? If so, how?
12. How do you see the integration of generative AI into marketing operations affecting the required skills for marketing professionals, and what skills do you anticipate becoming obsolete or less valuable as a result of this shift? Conversely, what new skills do you think will be necessary for marketing professionals to possess to effectively leverage generative AI in their work?

3.3. Sample and Data Collection

The author interviewed 12 participants from the United States (84%), Egypt (8%), and Turkey (8%). A convenience sampling technique was used because of the recency of generative AI in the industry. The author selected participants who were already in their early adoption of generative AI in their processes and organizations. The participants held chief executive officer, chief marketing officer, founder, and owner titles in marketing professional services companies with less than \$50 million in annual revenue.

4. Results

A significant majority perceive AI as a supportive tool for human creativity rather than a substitute. When considering its impact on traditional marketing, the consensus is that conventional metrics are likely to retain their relevance. The evolution of AI is seen not as a disruptor but as a facilitator, offering a means to heighten efficiency and usher in new or improved services.

Exploring generative AI applications in marketing reveals substantial interest, particularly in employing AI for automation and enhancing efficiency, with 75% of respondents showing keenness. Other notable areas of application include strategy and content development (67%), customer service and personalization (42%), research and data analysis (33%), and advertising (25%).

The readiness for AI adoption among firms varies considerably. Approximately 33% of firms are highly prepared and actively utilizing AI, while another 33% are in the exploratory phase. A further 25% have already begun reaping some benefits from AI integration. *“Already doing. Absolutely ready. Offering the right advice. Being results based. ROI justification.”*, one participant mentioned.

Looking towards the future, there is a strong sense of optimism about AI's role in fostering growth and competitiveness. About 75% of respondents are optimistic about AI aiding in creativity, innovation, and enhancing the speed of service delivery. Half of the respondents consider early adaptation of AI as critical for maintaining a competitive edge. *“We'll be more competitive because we've been using it for years.”*, one participant mentioned.

The relationship between AI and human creativity is predominantly viewed through a lens of complementarity. A substantial 83% believe AI enhances human creativity, especially in content creation and repetitive tasks, with a significant portion (67%) underscoring the importance of human oversight in these processes.

In terms of organizational capabilities for AI integration, there's a notable emphasis on skill development. This includes fostering self-learning (25%), building internal capacity (33%), addressing responsibility and ethics (8%), enhancing AI literacy among staff (17%), and adopting pre-existing solutions (8%).

When it comes to identifying underserved clients, a dichotomy emerges. Traditional methods are still favoured by 33%, but a majority of 66% recognize that while tools may evolve, fundamental marketing metrics are poised to remain consistent.” *We Identify under served clients with close observation of all marketing activities.*”, one participant mentioned.

Regarding generative AI's impact on profitability metrics, sentiments are mixed. While 75% continue to rely on traditional metrics, 33% are uncertain about the potential changes brought about by AI. Nevertheless, there is optimism about AI's ability to enhance key performance indicators. One participant mentioned *“It has helped reduced cost of outside hires. From a client perspective they receive the same service so revenue stays consistent.”*.

In the context of new services and offerings, 83% agree that AI contributes significantly to increasing efficiency in service delivery. About 25% perceive AI as enhancing existing services, whereas 17% anticipate the emergence of new AI-integrated services.

The impact on pricing strategies reveals a focus on cost-saving (42%) and diversification (25%), with a third expecting a neutral impact. However, some uncertainty persists in this area.

For small firms, AI is seen as a leveller in the competitive landscape. A majority of 75% view AI as offering competitive advantages to smaller entities, with 17% holding a neutral stance and 8% expressing scepticism due to potential cost and management challenges. One participant mentioned, *“100% it allows us to work as if we had the resources of large firms.”*

Finally, the skills shift in the industry indicates a decline in traditional entry-level skills (83%), with new competencies such as AI proficiency and strategic planning gaining prominence. Despite this shift, human skills like strategic thinking remain crucial (75%), underscoring the enduring value of human insight in the AI-augmented landscape of marketing. *“AI will never replace human creativity but be the timber on the fire. Being able to have unlimited options and generating something from them is massive.”*, one participant mentioned.

5. Discussion

This paper examined the role of generative AI in small marketing firms' industry transformation, aligning with the theory of disruptive innovation, the emerging applications of generative AI in marketing, and the organizational capabilities and individual skills necessary for generative AI adoption. The study's results largely conform to the theory of disruptive innovation as generative AI is seen as a disruptive force that could potentially change business models, target underserved customers, and boost profitability. However, the results also highlighted potential challenges and complexities in implementing disruptive innovations.

The results seem to show a strong engagement with the theory of disruptive innovation (Bower & Christensen, 1995) in the context of generative AI applications in marketing. Each of the four key components of disruptive innovation is reflected in different ways. 1) Technological Enabler: The generative AI is identified as the technological enabler in this case. This study expresses significant interest in using generative AI for various tasks such as automation,

strategy and content development, customer service, personalization, research, and data analysis, which aligns with the theory's idea of a new technology creating new opportunities and reducing costs. 2) Business Model Innovation: The study highlighted changes in roles and functions within marketing agencies, including a shift towards supervising or consulting roles for clients' generative AI platforms. This suggests an evolution in the business model to accommodate and capitalize on the new technology. 3) Targeting Underserved Customers: The participants' responses about identifying and targeting underserved clients with AI technology reflect this aspect of the theory. However, the extent to which this is being achieved is less clear, with some participants expressing uncertainty about using AI in this context. 4) Pursuit of Profitability: The pursuit of profitability is evident in participants' focus on efficiency, cost reduction, and enhanced performance indicators. The ability of AI to increase efficiency and speed in service delivery, reduce the need for outside hires, and lead to faster project completion times all point to the pursuit of higher profitability.

Despite these perceived benefits, some resistance was noted, emphasizing the limitations of AI and the need for human oversight. Concerns about negative impacts on junior staff, legal implications, and the necessity for human creativity were also expressed. These may indicate potential tension as the industry moves towards extensive AI adoption.

This study's findings present a nuanced view that both aligns with and challenges the existing literature on generative AI in marketing. While earlier studies emphasize the disruptive potential of AI, particularly within the framework of disruptive innovation theory (Christensen et al., 2015; Nogami & Veloso, 2017), these results suggest a more integrative role for AI in current marketing practices. Specifically, 75% of respondents perceive AI as a facilitator that enhances efficiency and introduces improved services rather than as a force that will replace existing market leaders or create entirely new markets. This contrasts with Christensen et al.'s (2015) assertion that disruptive innovation eventually competes with and supplants mainstream solutions, indicating that, in the context of small marketing firms, AI is viewed more as an augmentative tool than a disruptive one.

Moreover, while the literature posits significant changes in organizational structures and skill requirements due to AI adoption (Acemoglu et al., 2022; Ameen et al., 2022), these findings reveal a persistent value placed on human creativity and strategic thinking. Despite acknowledging a decline in traditional entry-level skills (83%), a substantial 75% of respondents underscore the enduring importance of human oversight and strategic competencies. This suggests a divergence from Acemoglu et al.'s (2022) findings, which indicate a reduction in overall hiring and a shift in skill demands due to AI. This study indicates that while AI proficiency is increasingly important, it complements rather than supplants human expertise, aligning more closely with Ameen et al.'s (2022) recommendation for a balanced augmentation of creativity that combines human intelligence and AI.

Additionally, earlier literature highlights the need for new metrics and approaches in marketing due to AI's transformative capabilities (Hoffman et al., 2022; Davenport et al., 2020). However, This study indicates that conventional marketing metrics are likely to retain their relevance, with 75% of respondents continuing to rely on traditional profitability measures despite AI integration. This suggests a discrepancy between the anticipated shift toward new digital metrics (Leeflang et al., 2014) and the current practices within small marketing firms. The persistence of traditional metrics may reflect a cautious approach to AI adoption, where firms integrate AI technologies within existing frameworks rather than overhauling their measurement systems entirely.

5.1. Theoretical Implications

This study's findings suggest a need to reevaluate the traditional understanding of disruptive innovation in the context of generative AI's role in marketing. While the theory posited by Christensen et al. (2015) and further discussed by Nogami and Veloso (2017) emphasizes that disruptive innovations eventually create new markets and replace existing ones, our results indicate a different trajectory. The perception of AI as an augmentative tool rather than a disruptive force suggests that generative AI is integrating into existing marketing practices to enhance efficiency and service quality, rather than overthrowing established systems. This integration challenges the notion that disruptive technologies invariably lead to the displacement of incumbent solutions. Instead, it points toward a hybrid model where technological advancements and human expertise coexist symbiotically. This has significant implications for innovation theory, suggesting that the framework should accommodate scenarios where new technologies augment rather than replace existing practices, highlighting the importance of human-AI collaboration and the continued relevance of traditional skills and metrics in an evolving technological landscape. Further, the study also sparks a discourse on the evolving skillset necessitated by AI integration, suggesting an emerging theoretical model of 'AI-enhanced human creativity', where traditional skills are supplemented by AI literacy, critical thinking, and analytics.

Additionally, the research invites a critical examination of existing business models in marketing, recommending a shift towards results-based models facilitated by generative AI. This introduces a new theoretical construct of 'AI-driven business model innovation' that needs further development and empirical validation.

5.2. Managerial Implications

The author urges small marketing firms to use generative AI to create new business models that move away from fixed management or retainer fees towards more results-based models where agency fees are tied more to results. Managers should invest in fostering AI literacy and enhancing strategic thinking among their staff, aligning with Ameen et al.'s (2022) recommendation for a balanced augmentation of creativity that combines human intelligence and AI. This focus on skill development contrasts with the concerns raised by Acemoglu et al. (2022) about AI reducing overall hiring and shifting skill demands. Our findings suggest that, rather than diminishing human roles, AI integration in marketing firms complements human expertise, with 83% of respondents viewing AI as enhancing human creativity and 75% emphasizing the continued importance of human oversight. Managers, therefore, have a crucial role in facilitating this synergy by providing training and promoting a culture that values both technological proficiency and human strategic capabilities.

Also, small marketing agencies should offer highly customized and personalized offerings to each client's need with the help of generative AI. These include behavioural advertising targeting and personalized email marketing. For example, generative AI can learn customer online behaviour, interaction with content, and purchase history and develop a personalized shopping human-like virtual agent to recommend products and answer questions. Integrating the latter suggestion with virtual fitting rooms and product testing can improve customer experience significantly.

Small marketing firms should utilize generative AI in identifying underserved clients and communicating personalized and customized value to them. For example, generative AI can help to create polls, questions, and surveys of social media and email marketing to understand the needs and pain points of certain client segments. Also, generative AI is a very powerful

tool to interpret unstructured data such as text, videos, and images and identify sentiments and opinions without the need for sending surveys.

While generative AI can be a valuable tool for reducing marketing services operations cost, it will be as impactful in increasing competition, and hence, lowering prices of several less strategic marketing services such as content generation and creative. Small marketing firms must see generative AI as a catalyst to build more sophisticated and highly innovative services that maximize the return on investment for their clients.

6. Conclusions

Generative and conversational AI is the next technological evolution after the internet and mobile/social era. This study is the first study to apply the theory of disruptive innovation to the case of generative AI for small marketing firms. The study reveals a positive outlook toward the integration of generative AI in marketing operations. This study contributes to the emerging knowledge of generative AI in marketing. The findings entail several theoretical and practical implications to help scholars and practitioners advance this promising field.

Small marketing firms are optimistic about AI's role in their firms' future growth, viewing early adaptation as key to gaining a competitive edge over large firms. They are already attempting to utilize the four components of the theory of disruptive innovation (i.e., Technological Enabler, Business Model Innovation, Targeting Underserved Customers, and Pursuit of Profitability) in integrating generative AI in their strategies yet in different degrees of maturity and readiness. While the participants in this study indicated high degrees of awareness about the role of generative AI in the Pursuit of Profitability (improving efficiency and lowering costs) and the Technological Enabler (passion and interest in learning about generative AI) components, they did not seem to utilize generative AI to achieve the Business Model Innovation and Targeting Underserved Customers components.

The study reveals that most small marketing firms are still in their early adoption phases of generative AI. Small marketing firms see AI mainly as a tool for enhancing efficiency, content development, customer service, and research. Also, they believe AI will bring significant changes to marketing operations and roles, while they are not exactly sure how this will happen. The study defends that self-learning, adaptability, and knowledge management are key organizational capabilities to adopt generative AI. The author urges marketing firms to identify and document a set of skills that are necessary for the adoption of generative AI and put learning and development plans for their staff to achieve and monitor that adoption.

Small marketing firms see AI as an enhancer of human creativity that requires human oversight and believe that while AI may render some traditional entry-level skills obsolete, it necessitates new skills like AI literacy, critical thinking, and analytics. These include AI management, prompt engineering, analytics, problem identification, strategic thinking, and deep industry knowledge.

Despite its contributions, this study has limitations that must be acknowledged. First, the sample size is relatively small and consists of participants from small marketing firms, which may limit the generalizability of the findings to larger marketing organizations. Second, the cross-sectional design of the study prevents the examination of how perceptions and integration of generative AI in marketing operations may evolve over time. Third, the reliance on self-reported data may introduce professional desirability bias, as participants might provide answers that they believe are favourable or expected.

Future research should focus on increasing sample size and diversity, employing a longitudinal design, and utilizing mixed method approaches to better understand the impact of generative

AI on marketing operations. Investigations into specific use cases, ethical and legal implications, and effective training and development strategies can provide insights into responsible AI integration and help marketing firms adapt to the changing landscape brought about by generative AI.

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