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LITERATURE REVIEW

Generative AI in Advertising: Balancing Business Efficiency and Consumer Trust

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Abstract

Generative artificial intelligence (AI) has rapidly changed the way businesses can create advertisements by providing custom content for a low cost. However, the use of generative AI has increasingly begun to raise questions about creativity and transparency; for businesses, the use of generative AI has also begun to spark dilemmas involving consumer trust, and the role of humans within advertising. This literature review examines how generative AI affects advertising from both a business and consumer perspective. Existing research was analyzed through AI disclosure, perceived authenticity, creativity, purchase intention, traditional versus generative AI, and business efficiency. The literature generally suggests that consumers can respond negatively when it is revealed that an advertisement was generated by AI, especially when they already have preconceived notions of generative AI being unauthentic or low effort. Nevertheless, recent research has also demonstrated generative AI can also boost engagement by increasing perceptions of novelty, when the audience views generative AI positively. The stark contrast between these findings suggests that consumer responses cannot be determined solely based on whether or not AI was used, but by the nuances of its use: the type of product being advertised, the transparency of the advertisement, and the opinions of the target audience are factors that all influence advertising outcomes. As a whole, generative AI can provide significant opportunities to businesses to reduce cost and increase the scale of advertisement production, but companies must balance these advantages with the concerns regarding consumer expectations for authenticity and creativity.

Keywords: Generative AI; Advertising; Consumer Trust; Authenticity; AI Disclosure; Purchase Intention; Creativity; Marketing Efficiency

1. Introduction/Background

Artificial intelligence (AI) has become increasingly important in modern marketing and advertising. Historically, businesses have used AI to analyze computer data, predict the behavior of consumers, personalize advertisements to consumers, and automate decisions. More recently in the last few years, generative AI has expanded the applications of AI by allowing businesses to directly create advertisements themselves. Instead of simply making the choice of what a consumer should see in an advertisement, generative AI can produce the advertisements, whether it be a video, image, or even a video with audio.

AI is a technology that can innovate marketing strategies and analyze customer behavior across multiple business functions (Davenport et al., 2020). Crucially, AI may be most effective when it supplements humans rather than replacing them entirely (Davenport et al., 2020). As AI develops, this distinction has become increasingly relevant, especially when discussing it in the context of a consumer's perspective. AI and generative AI can function as a tool in assisting human-led marketing, or as a replacement to the creative process performed by those human employees.

Generative AI is a specific category of artificial intelligence capable of producing custom, new content. Large language models (LLMs), for example, are AI systems trained on large quantities of text, and can generate human language responses through text. Other generative AI systems can also create unique videos, images, and audio. AI generative content is a form of AI, but functions distinctly from traditional forms of AI, as it can directly create something rather than making decisions or gathering information for humans to utilize.

For businesses, this classification is particularly important in advertising. A company can use a traditional form of AI to identify something such as which customers are the most likely to purchase a product, and then having designers create an advertisement to target such an audience, while another company may use generative AI to identify the target audience and create the advertisement itself with very little human involvement. Both advertisements utilized AI in the creation process, but the level of human involvement and the consumer's perception differ drastically.

The increasing prevalence of generative AI has created a potential conflict for businesses. On one hand, AI can greatly reduce production costs, increase efficiency, and increase the volume of advertisement content. On the other hand, consumers could perceive these AI generated advertisements as unauthentic or untrustworthy (Kirk & Givi, 2025). Research has become increasingly focused on if the knowledge that an advertisement was created with AI impacts how consumers view it, and by extension, the company that utilized it. Ultimately, the question guiding this literature review is: How does the use of generative AI in advertising affect businesses, and what new concepts are important to understand when using AI generated content?

Based on the studies examined, although generative AI allows businesses to create advertisements more efficiently, and at lower costs, its overall effectiveness depends largely on how consumers perceive the technology. AI generated advertising can reduce perceptions of authenticity, human effort, and trust, especially when consumers view AI as something replacing human creativity (Shi & Jiang, 2026). However, these effects are not universal; some studies show that AI generated media can increase curiosity, and engagement, leading to the idea that the effects of generative AI rely heavily on how it is used, how it is disclosed, and how humans are involved in the advertising process (Kim & Cho, 2026).

2. Methods

This literature review examines academic research concerning generative AI, AI in marketing, advertising, consumer behavior, authenticity, trust, creativity, purchase intention, and marketing efficiency. Sources were located through the utilization of academic databases and various publishing platforms including ScienceDirect, SpringerLink, Taylor & Francis, and SAGE. Search terms included "generative AI advertising," "AI generated advertising consumer perception," "AI disclosure trust," "AI authenticity," and "AI marketing". Because of the rapid evolution of generative AI, priority was given to more recent studies with research published from 2023 to 2026. Earlier studies were retained when they provided important foundations or when used to compare traditional forms of AI to generative AI. Studies were organized into different themes, 1. AI disclosure and authenticity, 2. Consumer trust and purchase intention, 3. Creativity and human effort, 4. AI as a tool vs. Replacement, 5. Ethical and environmental concerns, 6. Differences among consumers, 7. Traditional vs. Generative AI, and 8. Business efficiency and cost savings.

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3. Results

3.1 AI Disclosure and Authenticity

Several studies have shown that AI disclosure can harm consumer perceptions, particularly when consumers associate AI with reduced human effort. AI generated advertisements in the luxury industry are perceived by consumers as being produced with little effort (To et al., 2025). This lowered perception of effort contributes to reduced perceptions of brand and advertisement authenticity. This finding may hold greater impact for luxury brands as they often rely heavily on ideas of craftsmanship, exclusivity, and creativity.

Jakesch et al. (2019) found a similar pattern in a different context. Their research examined AI-mediated communication and found that participants tended to trust online profiles less when they believed that it had been generated by AI. Although this study was not specifically about advertising, it provides evidence for a broader psychological phenomenon: perceptions of AI can influence judgments of trustworthiness. More recent research has provided stronger evidence specifically within advertising. Koning and Voorveld (2025) conducted an experiment with 304 participants and found that disclosing that an advertisement was generated by AI increased consumers' conceptual knowledge about AI, and how they viewed it. These changes ultimately decreased trust in both the advertisement and the organization behind it.

Bui (2026) similarly found that AI disclosure reduced advertising value and purchase intention. The effect was mediated by advertising credibility, meaning that consumers' reduced evaluations of AI generated advertising were partly explained by lower perceived credibility. Importantly, the effect was moderated by consumers' existing attitudes toward AI. Consumers who were more positive toward AI reacted less negatively to disclosure.

Although these studies provide considerable support for the argument that AI disclosure can harm advertising effectiveness, newer research complicates this conclusion. AI disclosure can produce two opposing effects: it increases perceived novelty, which improves advertising attitudes, product attitudes, and purchase intentions, while at the same time reducing perceived authenticity, which harms those same outcomes. Therefore, AI disclosure can simultaneously help and hurt advertising effectiveness. The effects also differed depending on consumers' regulatory focus and the type of product being advertised (Shi & Jiang, 2026).

3.2 AI, Purchase Intention, and Consumer Trust

Consumer trust is especially complex because negative perceptions of an advertisement do not necessarily mean that consumers will refuse to purchase the product. Research must therefore distinguish between attitudes toward an advertisement, attitudes toward a brand, trust, and actual purchase intention. AI disclosure can reduce purchase intention through decreased advertising credibility (Bui, 2026). This supports the argument that consumer concerns about AI can extend beyond the advertisement itself and influence behavioral intentions. Similarly, research by Wang, Sauka, and Situmeang (2025) examined generative AI marketing communication and found that anthropomorphism could increase purchase intention through social presence and trust. Interestingly, transparency about AI involvement weakened some of these effects. This suggests that consumers may respond differently depending on whether AI communication feels human-like and whether the company reveals its AI involvement. Another recent study provides a potential solution to the trust problem. Sarran and Datt (2026) compared AI generated advertisements with third-party certification (TPCA) seals, QR codes, and neither, and found that TPCA seals modestly increased both consumer trust and purchase intention. QR codes alone also increased trust but did not produce a corresponding increase in purchase intention. These results suggest that not all verification signals operate the same way. Some may reduce uncertainty about content authenticity without necessarily reassuring consumers enough to change purchase behavior.

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3.3 Creativity and Human Effort

Whether consumers perceive AI generated advertisements as less creative than advertisements created by humans is another central question. Magni et al. (2024) examined people's evaluations of AI generated creative work and found evidence that people can act as "creativity gatekeepers." In other words, people may evaluate the same creative output differently depending on whether they believe it was created by a human or AI. This distinction is relevant for businesses because an AI system can technically produce creative content while consumers still perceive the content as less creative. Therefore, businesses should consider external factors beyond the quality of the work when utilizing AI.

Research on AI generated advertising also suggests that consumer response to creativity is not straightforward (Shi & Jiang, 2026). Disclosing AI involvement can simultaneously increase perceived novelty, improving attitudes, while reducing perceived authenticity, harming those same outcomes, meaning a more creative or novel AI generated ad does not straightforwardly translate into a more favorable one (Shi & Jiang, 2026).

However, the newest evidence again complicates the argument. AI involvement can actually increase consumer engagement through curiosity. The positive relationship between AI involvement and engagement was particularly strong among consumers with lower AI competency and for image-based advertisements (Kim & Cho, 2026). This finding contradicts the assumption that consumers inherently dislike AI generated advertising. Instead, AI can sometimes create curiosity and novelty, which can make advertisements more engaging.

3.4 AI as a Tool Versus AI as a Replacement

A distinction in the examined literature is the difference between AI assisted advertising and AI generated advertising. AI assisted advertising occurs when humans remain primarily responsible for the creative process while AI performs specific tasks. For example, a designer may use AI to generate ideas, remove objects from photographs, create multiple versions of an image, or improve written copy.

AI generated advertising involves a much greater degree of automation, with AI producing most or all of the final advertisement. AI is likely to be more effective when it augments rather than replaces human managers (Davenport et al., 2020). Consumers can react more negatively when AI is responsible for generating communication rather than simply assisting with editing (Kirk & Givi, 2025). This distinction may help explain some of the contradictions within the literature. AI as a complete replacement for human creativity may cause stronger negative reactions than when AI is used as a tool by humans.

3.5 Ethical and Environmental Concerns

Generative AI has also created ethical concerns that are less prominent in research on traditional AI. Traditional AI can raise concerns about privacy, algorithmic bias, surveillance, and inaccurate decisions. Generative AI introduces additional issues because it directly creates content that resembles human work. These concerns include copyright, training data, originality, misinformation, job displacement, and whether AI generated content should be considered authentic.

Koning and Voorveld (2025) note that generative AI creates additional ethical and transparency concerns in advertising because consumers may have difficulty determining whether elements of an advertisement are real or AI generated. Environmental concerns are another emerging issue. Generative AI systems require computing resources to train and operate, and large-scale use of image and video generation can increase energy consumption. Although this is a new concern with less established research, environmental concerns should be treated as an emerging consideration in addition to the primary explanation for consumer dislike of AI generated advertising.

3.6 Differences Among Consumers

None of the reviewed studies examined age directly, so this review cannot say whether younger consumers are more or less skeptical of AI generated advertising. Instead, the studies point to existing attitudes toward AI (Bui, 2026), AI competency (Kim & Cho, 2026), and individual regulatory focus

(Shi & Jiang, 2026) as the factors that shape consumer responses. Familiarity matters, but not always in the expected direction: Kim and Cho (2026) found that consumers with less AI competency responded more positively to AI involvement. Age may be connected to these factors, but its role remains untested in the reviewed literature.

3.7 Generative AI Versus Traditional AI

Generative AI should not be treated as synonymous with traditional AI. Traditional AI is often used to analyze information, predict behavior, recommend products, personalize advertisements, and automate decisions. Generative AI can perform these functions while also creating new advertising content.

Davenport et al. (2020) explain that AI applications can differ according to their level of intelligence and the type of task they perform. They also identify concerns involving privacy, bias, and ethics. Generative AI adds another dimension because consumers can directly evaluate the output produced by the technology. For example, a company could use traditional AI to determine that a customer is likely to purchase running shoes. The customer may never know that AI was involved. Alternatively, a company could use generative AI to create an image of a runner, write the advertisement's script, create a voice-over, and produce a video. In this case, AI becomes part of the visible creative process.

3.8 Business Efficiency and Cost Effectiveness

Despite the potential negative consumer response, businesses have significant reasons to adopt generative AI. Marketing is one of the areas where AI can create substantial value, and Davenport et al. (2020) explain that AI can improve efficiency, automate repetitive work, analyze consumers, and assist marketing professionals. Generative AI expands these benefits by allowing businesses to produce creative content rapidly. A company can potentially generate multiple versions of an advertisement, adapt advertisements for different audiences, produce social media content, and test different creative concepts without requiring a completely new production process for each version.

These benefits may be especially important for small businesses. A large corporation may be able to hire professional photographers, designers, actors, editors, and advertising agencies. A small business may not have the same resources. If generative AI allows a small company to create an advertisement that is substantially better than what it could produce with its limited budget, then AI could actually improve the company's advertising despite some consumer skepticism.

4. Discussion

The literature does not support a simple verdict on generative AI in advertising. Instead, it points to one underlying idea. Consumers evaluate AI generated content differently depending on what they believe about its origin, not on the content's objective quality. This is visible in authenticity judgments (To et al., 2025), trust judgments (Koning & Voorveld, 2025; Bui, 2026), and creativity judgments (Magni et al., 2024). The same output can be rated higher or lower purely based on who or what created it. Disclosure research and creativity research have largely developed as separate literatures, but they are describing the same phenomenon from different angles. The research suggests that once consumers know AI is involved, that knowledge becomes the lens through which everything else about the advertisement gets evaluated.

This reframes the efficiency/authenticity trade-off businesses face. The largest problem is not that AI necessarily produces worse ads; it is that AI attribution changes how consumers evaluate them. Kirk and Givi (2025) found that when humans remained primarily responsible for a message and AI was used only for editing, consumer responses were similar to those for fully human-written messages. This suggests that keeping humans in charge of the creative process may address the attribution problem more directly than trying to make AI output indistinguishable from human work. However, Kirk and Givi did not test whether making that human involvement visible to consumers changes the effect, so this remains a question for future research.

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Transparency creates a related but distinct problem. It is plausible that concealing AI involvement could cause a worse reaction if consumers discovered it later, although none of the reviewed studies tested this directly. Disclosure itself is not uniformly costly; it can simultaneously reduce authenticity and increase novelty (Shi & Jiang, 2026). The open question the literature has not answered is how disclosure is worded or framed, not whether to disclose. Businesses emphasizing human oversight and purpose in their disclosures, rather than a bare "AI generated" label, may be able to capture the novelty benefit while limiting the authenticity cost, though this specific framing question has not yet been tested directly and is a clear gap for future research.

Context also plays a large role in moderating viewpoints. Shi and Jiang (2026) found product type (utilitarian vs. hedonic) shapes how strongly disclosure effects appear, and the luxury specific backfire effect in To et al. (2025) suggests that AI involvement is costliest where authenticity and craftsmanship are the product's core value proposition. Similarly, the reviewed studies identify consumer level factors, AI attitudes (Bui, 2026), AI competency (Kim & Cho, 2026), and regulatory focus (Shi & Jiang, 2026), as moderators, while none tested demographics such as age directly. Familiarity matters, but not always in the expected direction: consumers with less AI competency responded more positively to AI involvement (Kim & Cho, 2026).

Together, these findings suggest no single AI advertising strategy will work across contexts. The relevant business questions are less "should we use generative AI" and more: how visible should AI involvement be, for this product category, to this audience, and disclosed in what way?

5. Limitations

This review has several limitations. Most of the reviewed studies were online experiments in which participants viewed an advertisement and rated it, and they measured stated purchase intentions rather than actual purchases. Participants who are told that an advertisement was made by AI may also react differently than consumers who come across AI generated content naturally while browsing. Several of the studies were published in 2025 and 2026 and have not yet been replicated, and some focus on specific product categories, such as luxury goods, whose findings may not carry over to other industries. None of the studies tested age directly. Finally, this review covers a small number of studies, so its conclusions should be considered as tentative.

6. Conclusion

Generative AI is changing advertising by allowing businesses to produce content faster, more efficiently, and potentially at a substantially lower cost. These advantages may be particularly valuable for smaller businesses that cannot afford the resources traditionally required to produce high-quality advertising.

However, the benefits of generative AI must be considered alongside consumer perceptions. The reviewed research suggests that consumers can respond negatively when they learn that advertising content was generated by AI. These responses can involve lower perceptions of authenticity (To et al., 2025; Kirk & Givi, 2025), reduced trust (Koning & Voorveld, 2025), lower perceived human effort (To et al., 2025), and lower advertising credibility (Bui, 2026). Some studies also report negative effects on stated purchase intention. Nonetheless, the evidence does not establish that AI generated advertising is always ineffective. Some studies suggest that AI disclosure can increase interest (Shi & Jiang, 2026), AI involvement can increase curiosity and engagement (Kim & Cho, 2026), and AI generated advertising can become more trustworthy when businesses show credibility through other signals (Sarran & Datt, 2026). The most important distinction emerging from the literature is therefore not whether businesses use AI, but how they use AI.

AI that assists human creativity may be more acceptable than AI that completely replaces it. Businesses can use AI to generate ideas, edit content, personalize advertisements, and create variations while retaining human oversight over the final product. The reviewed studies also suggest that consumer responses vary according to product type, existing attitudes toward AI, technological competency, trans-

parency, and the role AI plays in the advertising process. Therefore, businesses should avoid assuming that consumers will react to all AI generated advertisements in the same way.

Ultimately, generative AI does not present a simple trade-off between efficiency and authenticity. The reviewed studies suggest that the cost of using AI depends less on the advertisement itself than on how consumers interpret its origin. That means businesses have some control over that cost through how much human involvement they keep, how they disclose AI use, and which products and audiences they use it for. Companies that focus only on reducing costs may risk weakening consumer trust, while companies that reject AI entirely may miss opportunities to improve efficiency and compete with larger businesses.

As the technology continues to develop, future research should investigate whether consumers' negative perceptions decrease as AI generated content becomes more common and sophisticated. Future studies should also examine whether AI-human collaboration produces better consumer responses than either fully human-created or fully AI generated advertising. These questions will become increasingly important as businesses determine how much of their advertising should be created by humans, AI, or a combination of both.

Conflicts of Interest

The author declares that there are no conflicts of interest related to this work.

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