What AI-generated ads say about tech in marketing

Article

Coca-Cola <u>unveiled its AI-created holiday commercials</u> last month and the spots sparked a wealth of online criticism. <u>Social media</u> users called them "heartbreaking," while artists railed against the company for not using human creativity.

Coca-Cola's new commercials follow a June Toys R Us ad made entirely with <u>AI</u>, which also caught some level of internet ire. Additionally, Under Armor and LEGO also released AI-made

marketing materials and statements about the usage.

As brands experiment with AI, a disconnect exists between <u>advertisers</u> and some segments of the audience.

- Some 80% of advertisers feel at least somewhat positive about using generative AI (genAI) to create ads, according to a new survey from IAB and Sonata Insights.
- Only 48% of <u>Gen Z</u> and <u>millennial</u> consumers surveyed feel the same.

Since the start of the genAI wave, marketers have looked for ways to incorporate the technology into the creative process. Coca-Cola's are the latest efforts to lay bare both the opportunities and the current limitations that AI presents.

State-of-the-art ads

From <u>TV</u> to the internet itself, marketers and brands have a long history of jumping on the bandwagon of a captivating new technology to extend the impact of advertising. Experiments with new formats and technologies don't always work for marketers.

- In the early 20th century, before the effects of radioactivity were known, radioactive elements were promoted in many products including watches, cosmetics, and toothpaste.
- The 2000s saw the rise of Second Life, and many brands set up shop in its metaverse. The game's popularity quickly died down, leaving many digital activations standing in virtual ghost towns.
- QR codes can be extremely useful and consumer friendly, but it might not be a good idea to put them on highway billboards where drivers won't have time to use them.

AI's potential

For many marketers, the promise of AI makes it worth the risk of angering some portions of an audience, in terms of cost savings, <u>personalization</u>, and more.

"There is so much money to be saved," our analyst Sarah Marzano <u>said on an episode of our "Behind the Numbers" podcast</u>. "I think that there is a future for all-AI advertising and I think there is, for marketers, a lot of exciting potential when it comes to thinking through whether or not you could really personalize an advertising campaign."

Using AI to adjust an ad or a campaign to target specific audiences, or even individuals, is one aspect that might deliver a strong ROI.

- Sixty-eight percent of US internet users think ads with local messaging are more relevant, according to a study from The Harris Poll and Locality.

"I think that personalization is a potentially really strong use case here," our analyst Carina Perkins said on the podcast. "So perhaps not making the entire ad with AI, but using AI to personalize elements of it to different markets, regions, segments... I think in the long term, we probably will see more all-AI ads, but I think that the technology is going to have to move on a little bit before it can replace more traditional."

Uphill battle with those not over-the-hill

Over 60% of ad industry executives say their companies have already used AI to create ads, per a survey from IAB and Sonata Insights. At least in the short term, genAI will have a role in advertising.

However, some valuable demographics have expressed wariness about AI's use, with Gen Z more prone to view AI-created ads negatively. As Gen Zers now make up 20% of the US population, that's an audience that advertisers cannot ignore.

- Over a quarter of Gen Z consumers (26%) said they would describe a brand as "fake" for running an AI-created ad, compared with 13% of millennials.
- Almost a third of Gen Zers (32%) said they would trust a company less for using an AI-generated ad, compared with 23% of millennials.
- Only 20% of Gen Z and 21% of millennial consumers would describe a brand who used an AI-generated ad as "fun."

"I think we have to remember that this is a really early iteration, and this is as bad as it's going to be and it's only going to get better," Perkins said. "So I think there's no doubt that we're going to see more all-AI advertising. I think in the short term, we're going to see it used perhaps to generate concepts for adverts. I could see that being really useful, quick concepts that they can then go on and make with other means, perhaps, not just using AI."

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