Artificial Intelligence (AI) and Advertising:

How AI-Powered Tools Are Helping American Businesses

Introduction

In today's dynamic market, American businesses are looking for more effective ways to drive growth and connect with customers. This is particularly relevant as fifty-seven percent of US advertisers are experiencing higher operating costs than a year ago, according to an August 2024 Advertiser Perceptions survey, and one in two are seeing decreases in consumer spending[1].

Developments in artificial intelligence (AI) have yielded tools that help businesses of all sizes simplify tasks and run their businesses more efficiently - especially for advertising and marketing use cases. Through AI, practices that were once off-limits given time, resource and expertise constraints are now possible. This includes everything from generating marketing materials to improving online ad campaigns and personalizing customer experiences.

This white paper explores how American businesses are using AI to revolutionize their advertising practices. We'll examine the key benefits of AI-powered advertising, highlighting how automation and machine learning can help businesses connect with customers, optimize ad spending, streamline operations, and ultimately achieve their marketing goals.

Common AI Types and Marketing Use Cases

Generative AI tools can help create text or image-based content, e.g., creating text, images or videos for marketing or website content; generating multiple versions of ad copy.

Performance AI can be used to deploy, run and optimize advertising campaigns that use automation, e.g., optimizing campaigns for audience targeting, ad creative, budget pacing, performance.

Analytics AI helps measure campaign advertising success, e.g., predictive modeling for campaigns, modeling for campaign performance, cross-channel performance or attribution.

Interactive AI tools are used to engage with audiences, users or customers, e.g., chatbots for customer service.

Research Methodology

In partnership with the Connected Commerce Council and Google, Advertiser Perceptions surveyed 1,200 small and medium-size businesses (SMBs), 210 large advertisers, and 200 publishers in March-April 2024. SMBs included businesses with fewer than 500 employees, while large advertisers included businesses with at least 500 employees. Publishers included companies with ad-supported digital sites or apps that get at least 3 million unique monthly visitors. All respondents were involved in decision-making about digital ads and used personalized advertising. National-level results are weighted to be geographically representative using 2021 US Census data as a baseline for business distribution in each state.

[1]Source: Advertiser Perceptions, US Macroeconomic Effects and Perceptions Study, August, 2024; Features responses from 300 US advertisers spending $1M+ annually on advertising

AI Helps Businesses Create Marketing Materials

Generative AI is revolutionizing how businesses bring their creative concepts to life, offering a powerful solution for businesses with limited time and resources. Consider this: 4 out of 5 US SMBs have 10 or fewer employees[2], meaning that the person in charge of marketing often wears many hats and may lack specialized design or writing expertise. GenAI tools level the playing field by providing these businesses with the capabilities to accomplish many marketing-related tasks. These include creating:

- **Captivating ad copy that converts**
- **Product names and descriptions that resonate**
- **Engaging social media posts that drive traffic**
- **A variety of advertisements in diverse formats**

The impact is clear: 83% of US SMBs already utilize AI in digital advertising, and a staggering 95% believe AI will help them enhance their campaigns. Cost savings are a major driver, with 45% of SMBs expecting AI to reduce creative expenses and 43% anticipating lower overall marketing costs.

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Imagine a local bookstore owner who wants to promote a summer reading sale. With generative AI, they can quickly generate a diverse array of social media posts highlighting different genres, age groups, and special offers, ensuring their content resonates with a wider audience. They could use AI to create eye-catching images featuring quotes from popular books, short videos showcasing staff recommendations, or interactive polls asking customers about their favorite summer reads.

Similarly, a small candle company could leverage AI to elevate its brand and online presence. AI could generate unique, evocative descriptions for each candle scent, or design eye-catching labels with custom graphics and typography that reflect the essence of each fragrance. AI could also help optimize the company's website by generating product photography, writing compelling website copy, and even suggesting improvements to the site's layout and navigation. This allows the owner to focus on their true passion – crafting new candle scents – while enhancing the overall shopping experience for customers.

By automating content creation, AI allows individuals to focus on strategy and higher-level tasks. This is particularly valuable for publishers, with 93% reporting that AI is already improving their daily work, and 60% specifically citing enhancements in content creation quality and efficiency.

AI Boosts Efficiency and Sales

AI is transforming how businesses manage and optimize their advertising campaigns. Platforms like Google Ads and other large ad platforms now feature AI tools that automate key aspects of campaign management, such as adjusting bids in real time, refining targeting parameters, and optimizing ad creatives to maximize impact.

This means businesses spend less time monitoring and manually adjusting their campaigns. AI algorithms constantly analyze data to identify trends and opportunities that humans might miss, ensuring that campaigns are continually optimized for peak performance. This data-driven approach allows advertisers to reach the right audience with the right

[2] Source: Advertiser Perceptions Advertiser Census, September 2024.

message at precisely the right time. Already, 53% of US advertisers are using AI to improve accuracy and reach to deliver more relevant ads.

For SMBs, performance optimization AI tools allow them to advertise in precise, efficient, and highly effective ways that were previously out of reach due to limited resources and expertise. For example, let's say an online vintage clothing store wants to optimize their clothing listings and

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find more customers who love vintage clothes. With AI, the store can quickly analyze which product images and descriptions lead to the most clicks and sales. AI can then suggest improvements to underperforming listings or generate new, more effective product descriptions. AI could also help identify potential customers searching for specific styles or eras, like "80s prom dresses" or "vintage denim jackets," and automatically adjust ad images, headlines and targeting to reach those customers most effectively.

AI tools are also valuable for brick-and-mortar businesses. A leather goods retailer, for example, can use AI to help them promote their business and products to a wider audience with more precision *"Digital ads have helped grow my handcrafted leather products business, and I've seen how integrating AI into the ads makes them even more effective,"* said Pavlo Prannyk, co-founder of *olpr. Leather Goods Co. in Mooresville, North Carolina. "AI-driven ad campaigns ensure I reach the right customers, drive sales, and grow my business."* Prannyk uses the AI-powered advertising tool Google Performance Max to accurately place ads in front of the right audiences.

All of this happens without business owners needing to constantly monitor performance or wade through complex reports. Many AI-powered platforms offer comprehensive analytics capabilities, helping SMBs understand what's working and where to allocate future budgets. They can gain insights into which demographics are responding to their ads, what types of content are most engaging, and how their campaigns are performing overall. This empowers them to make data-driven decisions and continuously refine their strategies for maximum impact.

AI Helps Businesses Gain Insights and Measure Success

AI is empowering businesses to move beyond surface-level analysis to better understand their ideal customer, and the effectiveness of their advertising campaigns. AI-based chat tools, like Google's Gemini, OpenAI's ChatGPT or Microsoft's Copilot play a crucial role in this area. They can be used to analyze customer feedback, conduct market research, and even generate hypotheses about customer behavior and product preferences. This empowers businesses to make more informed decisions, refine their marketing strategies, and ultimately, better serve their customers.

AI-powered tools can also help analyze ad performance data, identifying patterns and trends that reveal which messages and offers resonate with different audience segments. Already, 51% of US advertisers use AI to measure ad effectiveness and inform their marketing strategies.

For SMBs, these AI-powered tools can be particularly valuable. They allow business owners to gain a deeper understanding of customer preferences, identify emerging trends, and make data-driven decisions to optimize marketing campaigns and improve overall business performance. This newfound clarity empowers

SMBs to identify new opportunities for product development, innovation, and growth, ultimately driving revenue and increasing their competitive edge.

More than half of publishers are also leveraging AI to optimize their advertising strategies[3]. By understanding which audiences are engaging with which types of content on their websites, they can tailor their ad offerings to specific advertiser needs and audience segments. This leads to more effective campaigns for advertisers and a more relevant experience for readers, ultimately driving revenue growth for publishers.

EXAMPLES

A local florist can use AI chat tools to analyze customer reviews and social media comments to understand which floral arrangements are most popular for different occasions, identify any recurring complaints or suggestions, and gather insights into customer preferences for colors, styles, and price points. This allows the florist to tailor their offerings and optimize their inventory for maximum customer satisfaction.

A small e-commerce business selling handmade jewelry can utilize AI analytics to segment their customer base into distinct groups based on purchasing behavior, demographics, and interests. This allows them to create targeted email campaigns with personalized product recommendations and promotions that are more likely to resonate with each segment, increasing engagement and driving sales.

Conclusion

AI is not just about automating tasks and improving efficiency; it's about fundamentally changing how businesses approach advertising and unlocking strategic advantages. By freeing up valuable time and resources previously spent on manual processes, AI empowers marketing teams to focus on high-level strategic initiatives, unleash their creativity, and build more meaningful, long-lasting customer relationships. It allows them to concentrate on what matters most: their business and their customers.

AI provides the tools and insights needed to craft compelling campaigns, personalize customer experiences, and deliver the right content to the right audience at the right moment. AI-powered tools empower SMBs with limited staff and marketing expertise to compete effectively with larger businesses, leveling the playing field and fostering a more dynamic marketplace.

As AI continues to advance, becoming more sophisticated and integrated into the advertising ecosystem, its capabilities and impact on advertising will only grow. For businesses seeking to thrive in an increasingly competitive environment, embracing AI is no longer just an advantage—it's a necessity.

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[3] 51% of publishers say AI is already helping them optimize their advertising campaigns

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About Advertiser Perceptions

Advertiser Perceptions is the leader in providing research-based strategic market intelligence to the complex and dynamic media, advertising, and ad tech industries. Our curated, proprietary AdPROs Network and deep relationships with the largest advertisers provide clients with an unbiased view of the market, their brand, and the competition. Our experts provide timely and actionable guidance enabling clients to improve their products and services, strengthen their brands, and drive more revenue.