


Chapter 12

From Personalization to Persuasion: Unpacking the Capabilities and Challenges of Generative AI in Marketing

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ABSTRACT

Marketing has always been influenced by technological innovation, ranging from the development of the printing press and mass media promotion to the advent of digital platforms and algorithmic targeting. In the digital economy of the day, perhaps the most revolutionary development is the rise of generative artificial intelligence (GenAI). GenAI has not only opened up new avenues for automating and scaling personalization but also added the capacity to produce compelling, adaptive, and context-aware communication at a scope not before possible.

1. INTRODUCTION

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the most revolutionary development is the rise of generative artificial intelligence (GenAI). GenAI has not only opened up new avenues for automating and scaling personalization but also added the capacity to produce compelling, adaptive, and context-aware communication at a scope not before possible. This change is important because it alters the very fabric of marketer–consumer interactions from static, pre-specified campaigns to dynamic, co-created conversations among human and machine. Personalisation has been the long-awaited promise of digital marketing in many ways: getting the right message to the right customer at the right moment. Conventional methods depended heavily on ordered data, segmentation, and rule-based recommendation systems to personalise marketing material. Effective in some respects, these tactics usually failed to capture the dynamism of consumer behaviour and the subtlety of human language. Generative AI, fueled by large language models (LLMs), diffusion models, and multimodal architectures, closes this gap by creating content that is not just relevant but also convincing. It creates text, images, audio, and even video content in real time, modulating tone, style, and framing to fit consumer intent, mood, or context. Consequently, marketing's unit of analysis is becoming different: no longer segments or customer journeys alone, but dynamic, interactive conversations that change in real-time.

The addition of persuasion to personalization brings new possibilities and complexities. On the one hand, persuasive generative systems allow marketers to enhance relevance, interaction, and conversion rates by adjusting not only the message but also its associated psychological mechanisms. For instance, GenAI can infuse persuasive tactics like social proof, authority, reciprocity, or scarcity into generated content, varying the degree of rational argument or emotional appeal based on consumer engagement. This adaptive capacity repositions personalization from a passive tailoring process to an active influence agent. Conversely, such capabilities evoke ethical concerns regarding autonomy, transparency, and manipulation. When people are not even sure if an influencing message comes from a human or from AI, they might lose faith in brands and institutions. How critical this shift is is highlighted by the explosive deployment of GenAI across sectors. Firms are applying generative models to automate customer support, produce ad campaigns, produce fake brand endorsers, and craft customized product suggestions. Early indications reveal significant productivity gains: creative loops that used to take weeks now take hours, and marketers can try out hundreds of message sets all at once. Yet, these advantages are accompanied by hazards including hallucinations (objectively erroneous responses), stereotypical perpetuating bias, intellectual property issues, and possible legal infringements. The balancing act between leveraging the persuasive potential of GenAI and upholding responsible, credible marketing procedures is therefore the core managerial dilemma.

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