

Generative AI as a Disruptive Innovation: Implications for Marketing Strategic Transformations

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Abstract

This study explores the potential for small marketing firms to disrupt the market by leveraging generative AI technology within the framework of disruptive innovation theory. A qualitative approach was employed, combining a comprehensive literature review with in-depth interviews with leaders from small marketing firms. The data was analyzed using the Natural Language Processing (NLP) and thematic analysis techniques. This study is the first to apply the theory of disruptive innovation to the use of generative AI at small marketing firms. It contributes to the emerging body of knowledge on AI in marketing and offers practical guidance for scholars and practitioners to advance this field. The

findings suggest that small firms can gain a competitive edge by adopting AI early, utilizing it to target underserved markets, and developing innovative, cost-effective services. The study positions generative AI as a significant technological evolution, with the potential to revolutionize the marketing industry. It identifies generative AI as a tool for enhancing efficiency, content development, customer service, and research. Small marketing firms are found to be in various stages of AI adoption, with many viewing it as a complement to human creativity. This study highlights the need for new skills, such as AI literacy and strategic thinking, while also emphasizing the continued importance of human oversight.

Keywords: disruptive innovation; generative AI; marketing firms; marketing strategy

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Introduction

Generative AI, also referred to as AI or machine creativity, falls under the realm of intelligence. It involves machines producing content, such as images, music, and text.¹ In the marketing field, generative AI plays a role in creating distinctive content for consumers. It also aids in predicting consumer behavior 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 on 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 diverse services ranging from advertising to market research. According to Statista 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 2028.² The marketing industry anticipates that the use of AI will grow significantly with a projected value of \$22.1 billion by 2032. This growth will be driven 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 due to 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.³

Small companies play a role in adopting and commercializing disruptive technologies (Kassiech et al., 2002). Generative AI can assist marketing firms with less than \$50 million in revenue expand their market share 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 or services. Gradually, they come to 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. 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 the technology continues to progress.

The primary goal of this study is to investigate how small marketing firms can disrupt firms by adopting generative AI. These disruptions can be achieved by offering 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 questions: 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?

Literature Review

Table 1 summarizes the 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 toward AI in general. However, no studies were found that explored 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.

Current Generative AI Applications in Marketing

Generative AI has already been used in plenty of marketing applications as seen in Table 2. These start from broad planning, branding, and creative strategies to tactical content generation, customer service, personalization, and prediction. Genera-

¹ <https://www.mckinsey.com/featured-insights/mckinsey-explainers/what-is-generative-ai>, accessed 17.10.2024.

² <https://www.statista.com/topics/5017/ai-use-in-marketing/>, accessed 15.09.2024.

³ <https://www.globenewswire.com/en/news-release/2022/12/09/2571196/0/en/Generative-AI-Market-to-Worth-63-05-Billion-by-2028-Generative-AI-to-Leave-Biggest-Impact-on-Drug-Discovery-Material-Science-and-Financial-Services.html>, accessed 07.09.2024.

Table 1. Summary of Generative AI in Marketing Literature

| 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. | Graham, 2023; Harris, 2024 |
| 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; 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. | 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. | 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 |

Source: author.

tive AI has numerous applications in the language, audio, visual, and synthetic data domains.

Personalization is a discussed application of AI in the field of marketing. By analyzing 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 analyzing large amounts of

data and comprehending language intricacies and tones, generative AI can efficiently produce high-quality content on an extensive scale. This proves advantageous for businesses requiring lots 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 behavior, 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 helps organizations 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 large amounts of data, it can identify hidden patterns and correlations that may elude observation leading to more precise targeted advertisements. Furthermore, generative AI aids in optimizing keyword selection by predicting which keywords will yield performance based on factors such as search volume and competition.

Improving the customer experience. Chatbots, customer service virtual assistants, and even product design are examples of how generative AI can be utilized to improve user experience. By automating tasks and offering personalized real-time assistance to customers, generative AI has the potential

Table 2. Current Generative AI Applications in Marketing

| Direction | Applications |
|------------------------|--|
| Strategy and branding | <ul style="list-style-type: none"> Product concepts Marketing strategy outlines Brand names and slogans Campaign ideas |
| Content and creative | <ul style="list-style-type: none"> Language-based generative models Audio and music Images, videos, and 3D models Posts, blogs, and literature |
| Research and analytics | <ul style="list-style-type: none"> Synthetic data Predictive analytics |
| Personalization | <ul style="list-style-type: none"> User experience Content |
| Digital advertising | <ul style="list-style-type: none"> Targeting Keywords |
| Customer service | <ul style="list-style-type: none"> Virtual assistants Knowledge management |

Source: author, based on (Dilmegani, 2023; Gill, 2023).

to enhance customer service and improve the customer experience (Gill, 2023).

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

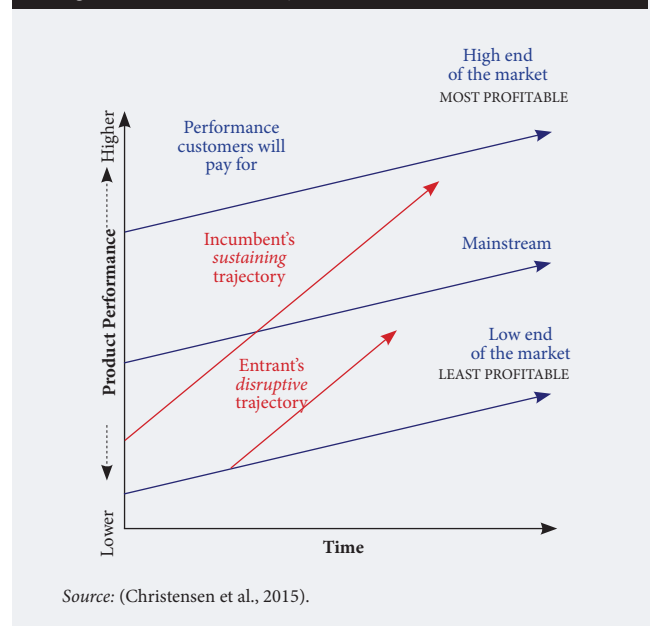
The Theory of Disruptive Innovation and Firm Growth

When a new technology or product is introduced onto the market, disruptive innovation takes place. Initially, it caters to a niche or low-end market. However, over time it improves in performance and gains acceptance. Eventually, it replaces the existing market leaders. Disruptive innovation can be a strategy for company expansion 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 so, the company can gradually improve its offerings and establish a presence on a market while incumbents prioritize their existing customer base and disregard emerging opportunities.

There are four key components of disruptive innovation: 1) Technological Enabler: the new technology that 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) write that 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. 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 note that disrupt-

Figure 1. The Theory of Disruptive Innovation



ive 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, 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).

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 toward services, and goods-producing companies should transition toward 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 after consumption (Davenport et al., 2020).

Hoffman et al. (2022) discuss the trends of personalization and recommendation systems as important areas 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 should be noted in consumer behavior: the adoption of augmented and virtual reality and autonomous products.⁴ 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 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 the organizational structure and culture, as well as investments 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. He notes that clients are increasingly looking for specialized expertise 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, it emphasizes the need for agencies to embrace a culture of innovation and experimentation to stay ahead of the curve (Beckett, 2021).

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

To leverage AI in shaping professional marketing services' future, firms need to focus on the balanced augmentation of creativity and combine the capabilities of human intelligence (HI) and artificial intelligence (AI). Furthermore, 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. 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. 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 on the labor 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), thus generally operating as a more efficient organization.

Methods

In this paper, a qualitative research approach is employed, combining a comprehensive literature review with in-depth interviews. The literature review serves as the foundation for developing in-depth interview questions for small marketing firm leaders. The interviews are analyzed by Natural Language Processing (NLP) and thematic analysis techniques, and the results are discussed in light of the literature review.

Based on the literature review, the in-depth interview questions explore different generative 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 the labor requirements and skills in the marketing professional services industry. These 12-question interviews took about 30 minutes to complete. The list of questions is presented in Box 1. The author interviewed 12 participants from the United States (84%), Egypt (8%), and Turkey (8%). A convenience sampling technique was used be-

⁴ Autonomous products are robotic devices capable of performing everyday tasks without human oversight (so-called "substitutes for manual labor"). These include unmanned cars, robotic vacuum cleaners, automatic lawnmowers, etc.

Box 1. The List of Interview Questions

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 which 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?

Source: author.

cause of the recent development of generative AI in the industry. The author selected participants who were already in the early stages of 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.

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 fur-

ther 25% have already begun reaping some benefits from AI integration.

Looking toward 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 adoption of AI as critical for maintaining a competitive edge. 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 is 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 favored by 33%, but a majority of 66% recognize that while tools may evolve, fundamental marketing metrics are poised to remain consistent.

Regarding generative AI's impact on profitability metrics, sentiments are mixed. While 75% contin-

ue 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.

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 leveler 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.

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.

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.

Each of the four key components of disruptive innovation is reflected in different ways.

1) *Technological Enabler*: Generative AI is identified as a technological enabler in this case. This study found 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*: This study highlighted changes in the roles and functions within marketing agencies, including a shift toward 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 toward extensive AI adoption.

The findings align with Fitzgerald et al.'s (2013) emphasis on interdepartmental authorities for digital innovations. Participants highlighted the importance of self-learning, adaptability, and reliable analytics platforms, with 83% viewing AI as an enhancement to human creativity.

The results align with the changing marketing needs in the AI era, emphasizing the need for adaptation and embracing AI technologies (Rust et al., 2019; Leeflang et al., 2014). The responses underscored the importance of readiness, skills development, and human involvement in effectively using generative AI (Hoffman et al., 2022).

The results concurred with prior studies emphasizing the balance of human creativity with AI, the focus on creative aspects of the customer journey, and resource maintenance. New skills, including AI prompting, critical thinking, analytics, innovation management, and strategic planning, were identified as necessary for the evolving landscape (Montana et al., 2014).

Conclusion

Generative and conversational AI is the next technological evolution after the internet and mobile era. This study is the first to apply the theory of disruptive innovation to the case of generative AI for small marketing firms. It reveals a positive outlook toward the integration of generative AI in marketing operations and 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 adoption as a 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, they do so with 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 as a Technological Enabler (passion and interest in learning about generative AI), they did not seem to utilize generative AI to achieve the Business Model Innovation and Targeting Underserved Customers.

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 necessary for adopting 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 implement 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.

The author urges small marketing firms to use generative AI to create new business models that move away from fixed management or retainer fees toward more results-based models where agency fees are tied to results. Also, small marketing agencies should offer highly customized and personalized offerings to meet each client's needs with the help of generative AI. These include targeted behavioral advertising targeting and personalized email marketing. For example, generative AI can learn customer online behavior, their interactions 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 use generative AI to identify underserved clients and communicate 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 the cost of marketing services, it will be as impactful in increasing competition, and hence, lowering prices of several less strategic marketing services such as content generation. Small marketing firms must see generative AI as a catalyst to build more sophisticated and highly innovative services that maximize returns on investment for their clients.

Moreover, this study's conclusions amplify the complexity and multidimensionality of the disruptive innovation process, which, instead of being a linear sequence, is rather an intricate interplay of various elements. This insight calls for a reconceptualization of the theory to accommodate the dynamic, nonlinear process of innovation in the context of generative AI.

Further, this research sparks a discourse on the evolving skillset made necessary 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.

Lastly, 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.

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 the 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 favorable 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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