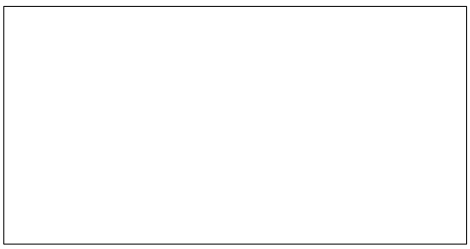

Examining the effect of AI advertising involvement disclosure on advertising value and purchase intentions

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Abstract

Purpose

The integration of artificial intelligence (AI) into advertising has revolutionized how brands create and deliver marketing messages. The involvement of AI in ad creation introduces a critical question: if the AI origin of an advertisement is disclosed, how this transparency affects advertising value and purchase intentions. Grounded on the Persuasion Knowledge Model, this study investigates the effect of AI disclosure on these two key outcomes.

Design/methodology/approach

ChatGPT and Stable Diffusion were employed to generate stimuli. 358 consumers recruited via Prolific were exposed to the stimuli. The data were analysed using a combination of Hayes' Process models, MANCOVA and ANCOVA.

Findings

The results reveal that AI disclosure diminishes advertising value and purchase intentions. The relationships are negatively mediated by advertising credibility and positively moderated by consumer attitudes towards AI.

Originality/value

Theoretically, the research contributes to a more comprehensive picture of AI-generated advertising evaluation. Practically, the research offers actionable insights for businesses seeking to balance the advantages of AI with human psychology, ultimately optimizing advertising effectiveness in an increasingly AI-driven marketplace.

Keywords: Artificial intelligence, advertising value, purchase intentions, advertising credibility, AI attitudes

Introduction

The rapid advancements in artificial intelligence (AI) have profoundly transformed the digital marketing landscape. AI applications have been seen in marketing campaigns by various brands such as Heinz, Coca-cola, Nutella, Nike, Virgin Voyages, and Ben & Jerry's (Keenfolk, 2024). In Heinz's AI Ketchup campaign, for example, DALL-E2 was employed to visualize ketchup (Draycott, 2024). Nutella's 7 million unique AI-generated labelled jars were sold out within a month of launching the Nutella Unica campaign (Nudd, 2017). Such real-world examples underscore the power of AI in generating creative content and driving consumer engagement and sales.

As AI technologies evolve, their influence on advertising practices has become more pronounced (Baldassare, 2024; Huh et al., 2023). Recent studies indicate the rising prevalence of AI-generated advertisements (Arango et al., 2023; Campbell et al., 2022) and the increasing adoption of AI in automating digital advertising campaigns (van Esch and Steward Black, 2021). The growing integration of AI into advertising practices has inspired dedicated research lines to reflect the technology-driven transformation within the industry (Ford et al., 2023).

Emerging scholarly discourse has seen a growing research interest in the effects of AI-powered advertising on consumer perceptions and behaviour. Wu & Wen (2021) delve into perceived objectivity, machine heuristic, and perceived eeriness as the determinants of consumers' AI-generated advertisement appreciation. Sivathanu et al. (2023) point to AI-based deepfake advertisements' media richness, information manipulation tactics, personalization, and perceived trust as the antecedents to consumers' online shopping intent. Wu et al. (2024) shed light on the more significant positive effect of AI involvement in ad placement on word of mouth (WOM) compared to ad creation. Isler et al. (2024) illuminate greater customization, enhanced creativity, and time efficiency as the benefits of AI-created advertising for social media marketing. Such studies undoubtedly offer valuable insights into how the infusion of AI into advertising practices shapes consumer perceptions and drives decision-making processes.

While prior research has examined the effects of AI disclosure in advertising on key consumer constructs such as brand attitude, advertising attitude, source and ad credibility,

donation intentions, and word of mouth (Wortel et al., 2024; Baek et al., 2024; Wu et al., 2024), limited attention has been given to its influence on advertising value and purchase intentions. Although these constructs have been explored in traditional and digital advertising contexts (Firat, 2019; Hussain, 2022; Lee et al., 2016), their interaction within the emerging domain of AI-generated advertising remains underexplored. This gap is particularly salient as advertising effectiveness can vary significantly based on the medium, the technological context, and consumers' prior experiences with the advertisement (Danaher et al., 2020; Xu & Wyer, 2010). As AI becomes increasingly integrated into advertising production (Qin & Jiang, 2019), firms face strategic decisions regarding whether and how to disclose AI involvement. Such disclosure may enhance perceptions of innovation and efficiency, or conversely, reduce perceived authenticity and value among consumers who favour human-generated content. The absence of empirical insights into how AI disclosure affects advertising value and its downstream impact on purchase intentions leaves firms without clear guidance. Addressing this gap is critical for advancing theoretical understanding and guiding effective marketing communication in a rapidly evolving advertising landscape.The significance of the study is further amplified by the examination of how consumer attitudes towards AI influence the effect of AI disclosure on advertising value and purchase intentions. While AI has rapidly become an integral part of many industries (Bharadiya et al., 2023), AI attitude remains underexplored (Wortel et al., 2024). Recent research has largely focused on developing scales to measure consumer attitudes toward AI (Hadlington et al., 2023; Grassini, 2023; Schepman & Rodway, 2020; Schepman & Rodway, 2022; Sindermann et al., 2020; Suh & Ahn, 2022). However, there remains a notable lack of studies exploring how AI attitudes influence the effectiveness of AI-driven innovations, particularly in the areas of marketing and advertising. By addressing this gap, this study contributes actionable insights into the effect of AI attitudes on consumer perceptions and behaviour. Businesses are accordingly equipped with the knowledge needed to effectively integrate AI into their advertising in alignment with consumer attitudes towards AI. The academic discourse is also enriched by highlighting the interplay between AI infusion and human psychology.

To address the research gaps discussed above, the study aims to investigate how AI disclosure influences advertising value and purchase intentions, and how this relationship is moderated by consumer attitudes toward AI. The study is grounded on the Persuasion Knowledge Model posits that individuals draw on such knowledge as persuasion knowledge, or agent knowledge when interpreting persuasive messages (Friestad & Wright, 1994), In the current

context, disclosing an AI source is expected to activate persuasion knowledge, increasing awareness of persuasive intent. Simultaneously, agent knowledge, which is beliefs about the source's credibility in this study, becomes salient when the ad is identified as AI-generated. If the AI source is perceived as inauthentic or untrustworthy, perceived credibility decreases, which can reduce advertising value and ultimately purchase intentions. Attitude toward AI may moderate this process, with more favourable attitudes linked to less scepticism and more positive perceived ad value and purchase intentions. Overall, the PKM model provides a useful theoretical lens for understanding how consumers respond to AI-generated advertising. To further ground this research, the following section reviews the relevant literature to establish the theoretical foundation and develop the hypotheses.

2. Literature review and hypotheses development

2.1. Effects of AI source disclosure

Advertising remains a cornerstone of modern marketing strategies, playing a crucial role in driving consumer awareness (Barroso & Llobet, 2012), driving sales (Hughes, 2013) and contributing to long-term brand loyalty (Zhao et al., 2022). Traditionally, advertising content creation relies heavily on human creativity and conventional analogue tools, such as print media, television, and radio. However, the advent of new technologies, particularly in the realm of data analytics and Artificial Intelligence (AI) has introduced a new era of synthetic advertisements through sophisticated algorithms (Campbell et al., 2022).

The emergence of synthetic advertisements has empowered marketers to create highly targeted and personalized campaigns that better resonate with specific audience segments, enhancing advertising effectiveness (Gao et al., 2023). AI-generated advertising content is perceived as higher quality than human-created content (Zhang et al., 2023). However, the increasing use of AI in advertising also raises important questions about consumer perceptions and behaviour, especially when AI's involvement in advertising creation is disclosed.

Disclosure of AI involvement can lead to consumers' negative perceptions and reactions. Consumers trust brands less if they know their information is shared with or processed by AI (Lefkeli et al., 2023). In the context of AI chatbots, disclosure of AI involvement before a conversation can significantly reduce purchase rates, as consumers may perceive the AI as less knowledgeable and empathetic than human agents (Luo et al., 2019). The disclosure of

AI involvement in content generation also diminishes the authenticity of AI-generated images and tourists' patronage intentions (Bui et al., 2024) and the credibility of an AI-generated prosocial advertisement and donation intentions (Baek et al., 2024).

Such findings suggest that consumers may harbour preconceived notions or biases about AI. When consumers are aware that an AI system creates an advertisement, they may view it as manipulative or less authentic, leading to reduced engagement as authenticity and emotional connection are crucial for consumer engagement (Chu et al., 2023). When consumer engagement is reduced, perceived value, and purchase intentions are also lower as consumer engagement drives purchase intentions through the mediating effect of perceived value (Chen, 2017). On the other hand, when the AI source is hidden, consumers may be more inclined to engage with the content without the added layer of scepticism that the knowledge of AI might provoke. The perceived advertising value and purchase intentions, thus, are likely to be higher. Grounded on the discussions, the following hypothesis is developed.

Hypothesis 1: AI advertising value (1a), and purchase intentions (1b) are more pronounced when the advert's AI source is hidden than when it is revealed.

2.2. Role of ad credibility

Perceived credibility is a critical factor in the effectiveness of advertisements as it influences consumer trust and engagement with the advert (Kim & Choi, 2012; Munnukka et al., 2016). Perceived credibility refers to the degree to which consumers believe the information presented in an advertisement is trustworthy, accurate, complete, and ethical (Hussain et al., 2020). When an ad is deemed credible, it can foster a sense of trust that encourages consumer engagement (for example, ad clicks), enhances the perceived value of the advertised product, and increases the likelihood of purchase intentions (Chen et al., 2023). Conversely, if the ad is seen as lacking credibility, consumers may be less likely to engage with the content, and the perceived value of the product or service may diminish.

In the realm of AI-driven advertising, credibility becomes even more crucial due to the potential concerns consumers may have about the authenticity and reliability of AI-generated content (Kirkby et al., 2023). AI-powered ads can offer high precision and personalization (Singh & Adhikari, 2023), but they also evoke scepticism or distrust (Arango et al., 2023) due to privacy concerns (Kim et al., 2023), and the potential manipulation of consumer

behaviour (Bjorlo et al., 2021). Therefore, when the AI source is disclosed, consumers may perceive the advertisement as less credible, which may, in turn, reduce the perceived value of the ad. This is premised on the positive effect of advertising credibility on advertising value (Jiang et al., 2022) and purchase willingness (Chen et al., 2023). Conversely, when the AI source is concealed, the ad may appear more credible and trustworthy, leading to a higher perception of its value and the likelihood of purchasing the advertised product or service. Therefore, the following hypothesis is formulated.

Hypothesis 2: AI advertising credibility mediates the relationship between AI source and AI advertising value (2a) and between AI source and purchase intentions (2b).

2.3. Role of AI attitude

AI is increasingly utilized in advertising as it has capabilities to enhance personalization and interactivity (Gao & Liu, 2023; Kim et al., 2023; Singh & Adhikari, 2023). The heightened level of personalization and interactivity has been shown to positively impact consumer stickiness and engagement in AI-enabled services (Li et al., 2024). As AI becomes an increasingly influential force in advertising (Qin & Jiang, 2019) and customers' interactive marketing experience (Gao & Liu, 2023), a deeper understanding of how attitudes towards AI can influence its effectiveness is necessitated. Attitude is defined as "a psychological tendency that is expressed by evaluating a particular entity with some degree of favor or disfavor" (Eagly & Chaiken, 1993, p. 1). Accordingly, in this study, AI attitude is defined as consumers' overall disposition towards AI, which can range from highly positive to highly negative.

Explicit attitudes (i.e., conscious beliefs) towards AI are often positive while implicit attitudes (i.e., subconscious feelings) can be negative (Fietta et al., 2022). With explicit positive attitudes towards AI, knowing that an AI system created the advertisement might not diminish the perceived value or credibility of the ad. Instead, AI-generated creating ads may be viewed as innovative, precise, or personalized, which could enhance the perceived value of the ad and increase purchase intentions. This is grounded on the positive effect of AI technology on enhancing perceived utility and hedonic values, thereby promoting purchase intentions (Yin & Qiu, 2021). In contrast, if the implicit AI attitude is negative, the disclosure of the AI source may have the opposite effect. The knowledge that AI was involved may diminish their trust in the ad's message, as they might associate AI with a lack of human

emotion (Oritsegbemi, 2023) or ethical concerns (Borenstein & Howard, 2021). Consequently, the lack of trust could lead to a reduced perception of the ad's value and lower purchase intentions, which is premised on the positive correlations among trust, perceived value, and purchase intentions (Ball et al., 2016; Ponte et al., 2015). Accordingly, the following is hypothesized.

Hypothesis 3: AI attitude moderates the relationship between AI source and AI advertising value (3a) and between AI source and purchase intentions (3b).

2.4. Relationship between advertising value and purchase intentions

Advertising value is defined as "a subjective evaluation of the relative worth or utility of advertising to consumers" (Zhang & Guo, 2008, p.193). The perceived value of an advertisement, or Expected Advertising Value (EAV), influences the amount of processing effort a consumer is willing to invest (Ducoffe & Curlo, 2000). If the EAV is positive, consumers are more likely to engage deeply with the advertisement, leading to a more favourable outcome (Ducoffe & Curlo, 2000). Such favourable outcomes as fostered consumer engagement, and higher purchase intentions have been acknowledged (Hussain et al., 2022).

AI technologies have the potential to elevate perceived advertising value as they significantly enhance the targeting and personalization of ads by analyzing consumer data to predict preferences and tailor content accordingly (Qin & Jiang, 2019). The perceived value of advertising consequently encourages customers to purchase the advertised product or service because advertising value directly correlates with purchase intentions (Karunarathne & Thilini, 2022). In contrast, when such perceived values of the advertisement as perceived utility and hedonic values diminish, purchase intentions are negatively impacted (Yin & Qiu, 2021). Accordingly, the following hypothesis is proposed.

Hypothesis 4: AI advertising value significantly influences purchase intentions.

Figure 1 visually summarizes the hypotheses. Based on this conceptual framework, the following section outlines the methodology employed to empirically test these hypotheses.

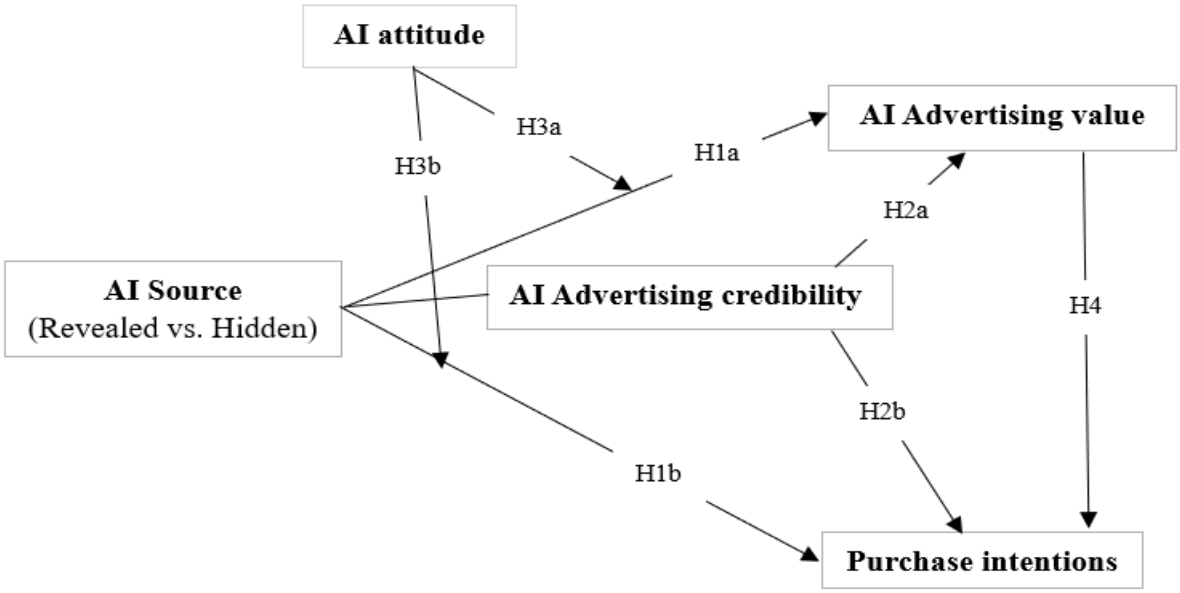

Figure 1. Research model ***(Source: Author's own work)***

3. Method

3.1. Stimuli generation and experiment design

ChatGPT and Stable Diffusion were employed to generate stimuli. The choice of ChatGPT was premised on its potential in advertising content generation (Golab-Andrzejack, 2023). Stable Diffusion was recruited for its capability of producing photo-realistic images from textual descriptions (Rombach et al., 2022).

ChatGPT was first used to generate textual advertising descriptions about SwiftStride trainers. The brand name is fictitious to avoid pre-existing perceptions, biases, or associations of participants with real brand names. ChatGPT-written advertising descriptions were then used as prompts to generate 3 photos for the product by Stable Diffusion.

The 3 photos were then presented to 15 marketing students to evaluate the photos' naturalness and aesthetic quality by answering the questions *"How natural does the photo appear to you? (1 = Not natural at all, 7 = Extremely natural)*" and *"How visually appealing do you find the photo? (1 = Not appealing at all, 7 = Extremely appealing)*". Based on the means of each photo, the photo with the highest mean scores ($M_{naturalness}$= 5.84, $M_{aesthetic\ quality}$=5.61) (Appendix) was used.

Participants were randomly assigned to one of the following conditions.

Condition 1: Source-revealed

Condition 2: Source-hidden

3.3. Measures development & data collection

The measures (Table 1) were adapted from the literature, including AI attitude (4 items), advert credibility (3 items), advert value (3 items) and purchase intentions (3 items).

Advertising relevance (3 items) was included in the measures for the main purpose of cofounding effect checks as it significantly influences advertising value (Ye et al., 2024) and purchase intentions (Hanaysha, 2022). Cronbach's alpha values ranging from 0.903 to 0.961 demonstrated an excellent reliability of the measures. The mean scores ranging from 3+ to 5+ indicated that the items were, in general, positively evaluated.

G*Power was employed to estimate the sample size. Using a priori power analysis with the following parameters: α=0.05, 1-β= 0.95, effect size= 0.2, number of response variables = 3, the estimated sample size was 90. A Qualtrics-based survey was launched in October 2024 via Prolific to 367 participants in total. Mahalanobis distances were used to identify multivariate outliers, which resulted in 358 valid responses for data analysis.

The participants, aged 18 to 55+, ensures representation across both younger and older adult consumers, allowing the study to capture generational differences in perceptions of AI in advertising. This broad age coverage enhances the applicability of the findings across diverse age groups, particularly in digital marketing contexts where age may influence attitudes toward technology. The nearly equal gender distribution (48.6% male, 51.4% female) contributes to the representativeness of the sample and reduces the likelihood of gender-related bias in the results. The majority of participants hold a bachelor's degree or above (56.7%) and have a household monthly income of less than GBP£2,000 (44.7%).

Participants were first asked to evaluate their attitudes to AI. One of the two conditions (Condition 1: Source-revealed, and Condition 2: Source-hidden) was then randomly assigned to participants. After condition exposure, participants were required to rate their perception of the advert's credibility, value, relevance, and purchase intentions. A total of 358 valid responses were analyzed using SPSS 29 and AMOS 29. Preliminary analyses included manipulation checks, as well as assessments of the reliability and validity of the measurement scales. Subsequently, the study's hypotheses were tested using a combination of MANCOVA,

Hayes' PROCESS Model 1 and Model 4, and ANCOVA as detailed in the following Results section.

4. Results

4.1. Manipulation checks: The effectiveness of manipulation was first checked. Participants in the revealed condition demonstrated a higher awareness of the adverts' AI source than those in the hidden condition ($M_{revealed}$=5.61, M_{hidden}=3.65, $p < 0.01$). Therefore, the manipulation was successful.

4.2. Measures' reliability & validity

As shown in Table 1, the mean scores (ranging from more than 3 to more than 5) indicated that the study participants supported positive statements about AI attitude, advert credibility, advert relevance, advert value, and purchase intentions. The Cronbach's alpha values of all constructs exceeded the threshold of 0.7 (Nunnally, 1978), indicating the internal reliability.

The confirmatory factor analysis (CFA) was performed to test the fit of the hypothesized measurement model and to assess the convergent and discriminant validity using AMOS 29. The CFA results showcased a very good model fit: $\chi 2/ df = 2.007$, CFI = 0.984, GFI= 0.939, TLI = 0.980, IFI = 0.984, RMSEA = 0.053, SRMR = 0.025. The factor loadings and the composite reliabilities (CRs) were all higher than 0.7 and the average variance extracted (AVE) values were greater than 0.5 (Hair et al., 2011). Accordingly, the convergent validity was upheld. Table 2 shows that the square roots of AVE for each factor were higher than the correlation of that factor with other factors, indicating discriminant validity (Fornell & Larcker, 1981). Therefore, the discriminant validity was confirmed.

Table 1. Reliability & convergent validity

(Source: Author's own work)

Constructs and measurement items	Mean	SD	Factor loadings	CR	AVE	Cronbach 's alpha
AI attitude (adapted from Grassini, 2023)				0.943	0.758	0.922

I believe that AI will improve my life.	4.13	1.474	0.913			
I believe that AI will improve my work.	4.15	1.645	0.849			
I think I will use AI technology in the future.	5.04	1.547	0.849			
I think AI technology is positive for humanity.	4.26	1.479	0.843			
Advert credibility (adapted from Liu et al., 2012)				0.923	0.799	0.921
The advert is convincing.	4.57	1.447	0.849			
The advert is believable.	4.75	1.368	0.920			
The advert is trustworthy.	4.40	1.264	0.912			
Advert value (adapted from Ducoffe, 1995)				0.906	0.762	0.903
The advert is valuable.	3.91	1.395	0.912			
The advert is useful.	4.40	1.448	0.893			
The advert is important.	3.33	1.522	0.812			
Advert relevance (adapted from Muehling et al., 1990)				0.961	0.892	0.961
The advert is relevant to my needs.	3.91	1.579	0.952			
The advert matches my interest.	4.03	1.678	0.938			
The advert is aligned with my needs.	3.92	1.649	0.943			
Purchase intentions (adapted from Gazley et al., 2015)				0.957	0.881	0.956
If I were to buy this type of product, my likelihood of purchasing the product in the advert would be high.	3.97	1.619	0.904			
If I were to buy this type of product, I would consider the product in the advert.	4.41	1.625	0.953			
If I were to buy this type of product, I would be willing to buy the product in the advert.	4.20	1.569	0.958			

Table 2. Construct correlations & discriminant validity

(Source: Author's own work)

	AI_att	**AC**	**AR**	**AV**	**PI**
AI_att	**0.871**				
AC	0.293	**0.894**			
AR	0.326	0.588	**0.944**		
AV	0.345	0.796	0.701	**0.873**	
PI	0.245	0.718	0.596	0.747	**0.939**
Notes: AI_att: AI attitude, AC: Ad credibility, AR: Ad relevance, AV: Ad value, PI: Purchase intentions The square root of AVE of each construct is in bold (the diagonal)					

4.3. Effects of AI source (revealed vs. hidden) on AI advertising value and purchase intentions

H1a-b were tested using Multivariate Analysis of Covariance (MANCOVA) with AI source (revealed vs. hidden) as the independent variable while value (H1a), and purchase intentions (H1b) as the dependent variables. Advert relevance was included as a covariate it was found to significantly correlate with value ($r= 0.66$, $p<0.001$), and purchase intentions ($r= 0.57$, $p<0.001$). The results revealed the significant effect of AI source on value, and purchase intentions (Wilks' $\lambda= 0.98$, $F(2, 354)= 3.54$, $p= 0.03$). Value ($M_{hidden}= 4.04$, $M_{revealed}= 3.72$, $F(1, 355)= 4.77$, $p= 0.028$), and purchase intentions ($M_{hidden}= 4.40$, $M_{revealed}= 3.99$, $F(1, 355)= 9.34$, $p= 0.016$) were all more pronounced when the AI source of the advert was hidden rather than revealed. In other words, H1a and H1b were supported.

4.4. Mediating effect of AI advertising credibility

Hayes PROCESS model 4 (version 4.2) was employed to test the mediating effect of credibility on the relationship between AI source and value (H2a), and purchase intentions (H2b). To test H2a and H2b AI source (revealed vs. hidden) served as the independent variable while value and purchase intentions served as the dependent variables respectively. The mediator was advert credibility, while advert relevance was integrated as a covariate. The results showed a mediating effect of advert credibility on the relationship between AI source and value (H2a: $\beta= -0.13$, $SE= 0.06$, $CI_{95\%} = [-0.24, -0.02]$), and purchase intentions (H2b: $\beta= -0.10$, $SE= 0.05$, $CI_{95\%} = [-0.21, -0.01]$). H2a and H2b were thus supported.

4.5. Moderating effect of AI attitude

Hayes PROCESS model 1 (version 4.2) was recruited to test the moderating effect of AI attitude on the relationship between AI source and value (3a), and purchase intentions (3b). To test H3a and H3b, AI source was the independent variable, and the dependent variables included value (H3a), and purchase intentions (H3b). AI attitude served as a moderator, and advert relevance was integrated as a covariate. The results revealed that AI attitude significantly moderated the effect of AI source on value (H3a: $\beta= 0.13$, $SE= 0.07$, $CI_{95\%} = [0.04, 0.41]$) and purchase intentions (H3b: $\beta= 0.2$, $SE= 0.09$, $CI_{95\%} = [0.05, 0.39]$). Accordingly, H3a and H3b were supported.

To illustrate the moderating effect of AI attitude, Figures 2 and 3 present the interaction between AI source (hidden vs. revealed) and AI attitude on advertising value and purchase

intentions, respectively. Across both outcomes, a consistent pattern emerges, i.e., disclosing the AI involvement generally leads to lower advertising value and purchase intentions, particularly among individuals with lower AI attitudes. In Figure 2, advertising value drops sharply when the AI origin is disclosed, and AI attitude is low. A similar but more moderate decline is observed for medium AI attitudes. In contrast, for those with high AI attitudes, perceived value slightly increases when the AI source is revealed. Figure 3 shows a parallel trend in purchase intentions, with a steep decline among low AI-attitude individuals, and a moderate drop for those with medium attitudes. Conversely, purchase intentions slightly increase when AI is disclosed among those with high AI attitudes. These crossover patterns indicate that a favourable attitude toward AI can buffer or even reverse the negative impact of revealing AI involvement in advertising.

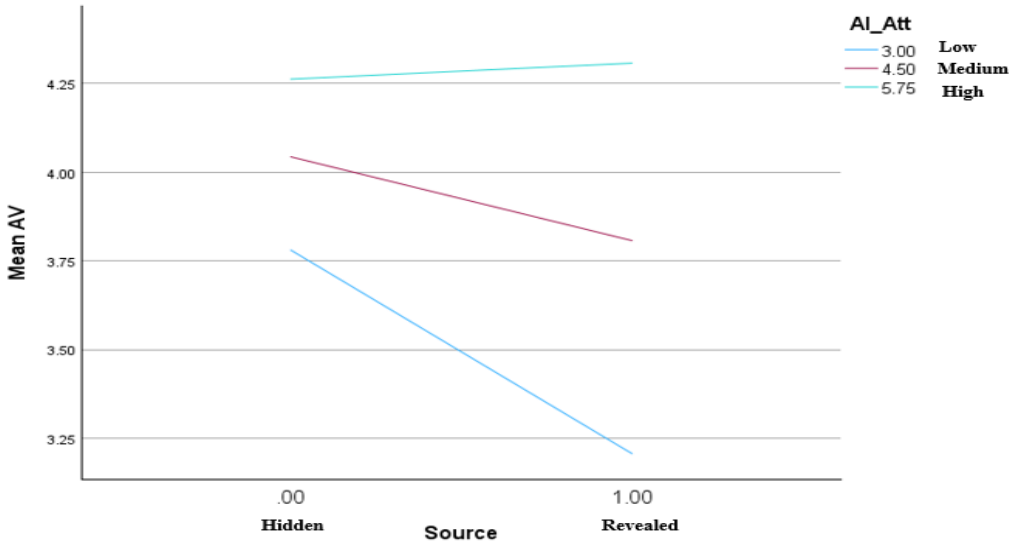

Figure 2. Interaction effects among AI source, AI attitudes, and advert value ***(Source: Author's own work)***

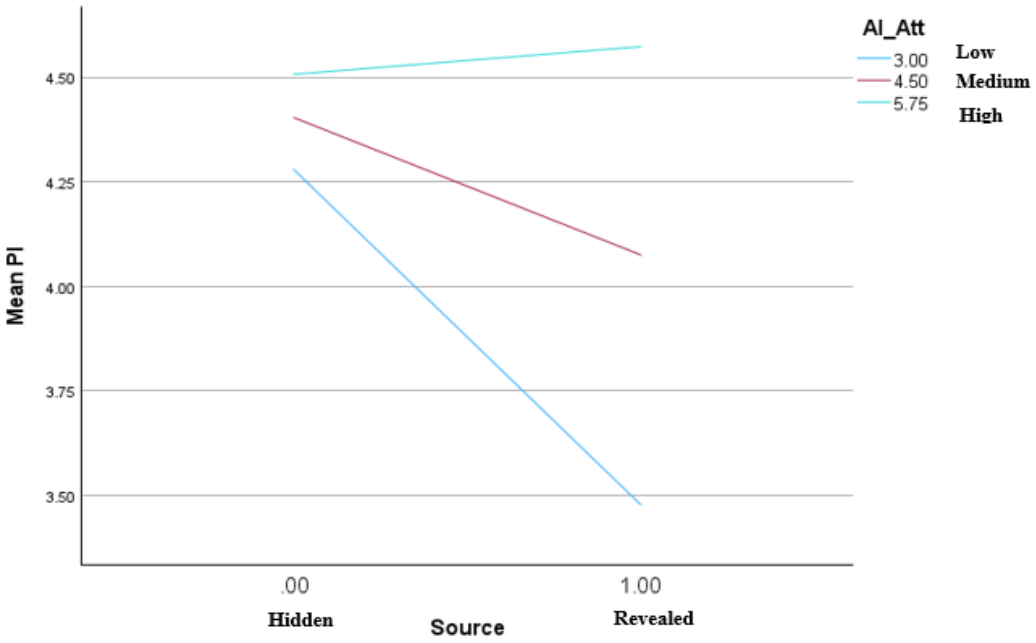

Figure 3. Interaction effects among AI source, AI attitudes, and purchase intentions

(Source: Author's own work)

4.6. Effect of AI advertising value on purchase intentions

To examine the effect of AI advertising value on purchase intentions, an Analysis of Covariance (ANCOVA) was conducted. Value and purchase intentions served as the independent and dependent variables respectively, while advert relevance was included as a covariate. A significant effect of AI advertising value on purchase intentions ($F(18, 338)= 8.92$, $p<0.001$, $\eta^2= 0.322$) was confirmed. The results of all hypotheses testing are summarized in Table 3 and further discussed in the next section.

Table 3. Summary of hypotheses testing

(Source: Author's own work)

Hypotheses		Results
H1	a. AI source → Advertising value	Supported
	b. AI source → Purchase intentions	Supported
H2	a. AI source → Credibility →Advertising value	Supported
	b. AI source → Credibility →Purchase intentions	Supported
H3	a. AI source*AI attitude → Advertising value	Supported

	b. AI source*AI attitude → Purchase intentions	Supported
H4	Advertising value→Purchase intentions	Supported

5. Discussions & Implications

5.1. Discussion

The results revealed that when the AI origin of an advert was concealed, consumers perceived its value, and exhibited purchase intentions more favourably, compared to when the AI source was explicitly revealed. The findings can be approached through the lens of a growing research body that explores the role of transparency in consumer trust and decision-making (Wang & Qiu, 2024) and the role of source disclosure on credibility (Baek et al., 2024) and perceived authenticity (Bui et al., 2024), particularly in contexts involving AI-driven content. When the involvement of AI in an advert is disclosed, consumers may approach the message with greater scepticism and transparency concerns (Xu et al., 2024). This can be attributed to the fact that AI, by nature, is associated with data-driven personalization, algorithmic targeting, and automation, all of which can be perceived as impersonal or manipulative (Shankar, 2024). In contrast, when the AI origin of an advert is concealed, the advert may appear to consumers as originating from a human-like source. This perceived human-like quality of the advert, even if it is AI-generated, fosters credibility and authenticity (Aburass & Rumman, 2024; Bui et al., 2024), thereby enhancing the perceived value of the advert, and purchase intentions.

The results illuminated the mediating role of credibility in shaping the effect of AI source on the perceived value of AI-generated adverts and purchase intentions. The β values of -0.13 (H2a) and -0.10 (H2b) imply a modest but sufficiently significant impact of credibility on the overall evaluation of value and purchase intentions. The negative signs indicate that the presence of an AI source could undermine consumers' perceptions of an advert's credibility, which is aligned with the findings by Baek et al. (2024). Since credibility directly influences advertising value (Dao et al., 2014) and buying intent (Mosa, 2021), a drop in credibility (due to AI source disclosure) consequently lowered both value and purchase intentions. Overall, AI involvement recognition in advertising can lead to a negative chain reaction.

The results shed light on the moderating role of AI attitude on the effect of AI source on both value and purchase intentions. The positive β values of 0.13 (H3a) and 0.2 (H3b) suggest that

a favourable AI attitude enhances the influence of AI source on value and purchase intentions. A positive AI attitude is shaped by perceived usefulness, perceived ease of use, and perceived enjoyment (Arachchi & Samarasinghe, 2024). This, in turn, can lead to higher acceptance of AI-based products or services (Schulz et al., 2023), augment consumers' smart experience (Arachchi & Samarasinghe, 2024), and translate into greater purchase intentions (Liang et al., 2019). Generally, the confirmation of H3a and H3b is consistent with the extant literature.

The results confirmed the effect of AI advertising value and purchase intentions. The positive relationship between perceived value and purchase intentions has been acknowledged in different contexts such as YouTube advertising (Firat, 2019) and social media advertising (Karunarathne & Thilini, 2022). This holds true in the AI advertising context. Consumers perceive AI-generated adverts as valuable whether due to perceived informativeness, credibility, relevance or entertainment (Ye et al., 2024), their purchase intentions subsequently increase. For interactive marketing, these research findings carry important implications. At its core, interactive marketing is grounded in the principle of co-creating value through mutual influence, where consumers actively shape their experiences through engagement and interactions (Wang, 2021). The demonstrated link between AI advertising value and purchase intentions reinforces this foundation by showing that when consumers perceive real value in advertising content, they are more likely to respond positively. This aligns with the goal of interactive marketing, which seeks not just to deliver messages, but to create engaging and value-driven experiences that resonate with consumers.

5.2. Theoretical implications

Previous studies typically focus on the effects of using AI in marketing (Chaisatitkul et al., 2023; Sivathanu et al., 2023) while scant attention has been paid to addressing how consumers respond to source disclosure of an AI-generated advert. Although few studies have been dedicated to investigating the effect of disclosing the use of AI in advertising on consumer perceptions and behaviour, they target social marketing such as prosocial advertising (Baek et al., 2024) or charitable giving advertising (Arango et al., 2023); rather than commercial marketing. The divergent purposes of commercial marketing (i.e., profit maximization) and social marketing (i.e., promoting social causes) suggest that the effects of AI disclosure potentially vary between those distinct marketing domains. Therefore, how the transparency of AI's involvement shapes consumer perceptions and behaviours in profit-

driven contexts is equally worth an investigation. By focusing on commercial advertising to fill this critical gap, the current research provides a more comprehensive understanding of the effect of AI source disclosure on the broader marketing landscape.

This study offers a meaningful extension of the Persuasion Knowledge Model which posits that when consumers recognize persuasive intent, they activate persuasion knowledge, which can reduce message effectiveness through increased scepticism (Friestad & Wright, 1994). While the model has traditionally been applied to conventional marketing such as influencer marketing (Evans et al., 2017; Boerman et al., 2017) or native advertising (Wojdynski & Evans, 2016), the current study extends the model to the emerging context of AI-generated advertising. Specifically, the observed decline in advertising value and purchase intentions following AI source disclosure suggests that persuasion knowledge is influenced not only by intent recognition but also by the identity of the message source. Notably, disclosing that an advertisement is AI-generated appears to evoke technological scepticism, signalling a perceived lack of human intention or authenticity. This highlights source identity as a critical and previously underexplored dimension within the Persuasion Knowledge Model suggesting that consumers' evaluations are shaped not only by what is being communicated and why, but also by who is delivering the message. Most research on perceived advertising value has traditionally focused on human-generated adverts or conventional forms of marketing (for example, Lin & Bautista, 2020; Liu et al., 2019). While Yin & Qiu (2021) have attempted to investigate the perceived value in an AI marketing context, their research focused on the effect of AI accuracy, insight, and interactive experiences on perceived value. This study represents the first attempt to investigate the role of AI source (revealed vs. concealed) in shaping perceived value in AI-driven advertising. Although research on advertising value determinants exists, much of it has centred on traditional elements such as message content, source credibility, and media channels (Ducoffe & Curlo, 2000; Logan et al., 2012). By addressing this gap, the research extends the existing body of knowledge on antecedents to perceived advertising value, which has typically not considered the transparency of AI involvement as a potential influencing factor. Given the increasing use of AI in interactive marketing (Hao & Liu, 2024), and advertising represents one of the most transformative shifts in the field in recent years, this contribution is critical.

Very few studies have explored the role of AI attitude in shaping consumer perceptions and behaviour. Much of the existing literature has focused on antecedents to positive AI attitude (Arachchi & Samarasinghe, 2023; Nguyen et al., 2024), rather than how AI attitude can

influence consumer responses to AI-driven advertisements. Given the critical gap, the novel contribution of this study lies in examining how the attitude toward AI moderates the effects of AI-generated adverts on key advertising outcomes, including perceived advertising value and purchase intentions. As a pioneering study integrating AI attitude into advertising research, this study invites further investigation into the cognitive and emotional processes that shape how individuals perceive and engage with AI-powered advertisements.

The relationship between advertising value and purchase intentions is relatively underexplored in the extant marketing and advertising literature. More insights on how those dynamics interact in the rapidly evolving marketing landscape are needed, especially when AI is revolutionizing and transforming advertising (Kaput, 2024). In response to the rising trend of AI-generated advertising, the current research examined how advertising value and purchase intentions play out when advertisements are generated by AI. Given the fact that the relationship between those dynamics remains untapped in AI-driven advertisements, the current research makes a significant contribution and extends the extant AI advertising literature.

The research is the first to examine the interrelationships of commercial adverts' AI origin, credibility, advertising value, and purchase intentions in the AI-generated advertising context. Specifically, it examined how AI as the source of the ad might either enhance or diminish its trustworthiness and how this perception, in turn, affects the value that consumers place on the ad and their likelihood of making a purchase. By considering the interplay among those interconnected elements, the study provides a more comprehensive understanding of how AI-generated ads are perceived by consumers and contributes to the expansion of the AI advertising scholarship.

5.2. Practical implications

This study offers important implications for industry practitioners aiming to optimize AI advertising strategies. Specifically, consumers with a favourable attitude toward AI respond more positively to AI-generated ads, perceiving them as more valuable, while those with sceptical views prefer human-led advertisements due to greater emotional connection and trust (Song et al., 2024). Marketers should therefore segment their audiences based on AI attitudes to tailor ad disclosures effectively. This could be achieved by analysing digital behaviour patterns (e.g., engagement with tech-related content), tracking interactions with AI-powered features (e.g., recommendation engines), or identifying users who express interest in

emerging technologies through their browsing history, app usage, or self-reported preferences.

The findings indicate that perceived value and purchase intentions are higher when AI source disclosures are omitted. While there is no universal legal mandate to disclose AI use (Shiyyab et al., 2023), concealing the source risks eroding consumer trust (Castillo et al., 2021). Moreover, regulatory demands for transparency are increasing, exemplified by Google's and Meta's requirements for political advertisers to disclose AI-generated content from 2023 and 2024, respectively (Reuters, 2023a; Reuters, 2023b). Transparency is crucial to mitigating the negative effects of AI disclosure on consumer responses (Sharma et al., 2023; Teodorescu, 2023), as it enhances trust and relational satisfaction in AI-assisted communications (Park & Yoon, 2024). Similarly, transparency about AI's information sources improves perceived trustworthiness by enabling critical assessment of credibility (Toff & Simon, 2024). Therefore, AI technology providers must ensure their tools facilitate compliance with evolving transparency regulations.

This study finds that disclosing an ad's AI origin reduces perceived value and purchase intentions, primarily by undermining ad credibility. Policymakers should consider guidelines to protect advertising credibility, such as mandating clear, standardized disclosures that explain AI involvement and associated quality controls. AI developers can support this by creating tools like disclosure templates and contextual explanation prompts to help marketers frame AI use as a source of added value. Marketers, in turn, should adopt these standards to clarify AI's role and safeguards, thereby mitigating trust concerns and enhancing brand differentiation. Additional strategies, including consistent AI outputs and third-party validations, can further strengthen credibility and offset disclosure-related drawbacks.

Last but not least, by establishing a clear link between advertising value and purchase intentions in the context of AI-generated advertising, this study proposes a solution to mitigate the impact of disclosing the AI origin of an advert on consumer responses. Marketers can improve the effectiveness of AI-generated adverts by enhancing the perceived advertising value. The more consumers perceive an AI-generated advert as valuable, whether through its informative, entertaining, interactive, or personalized content and elements (Arora & Agarwal, 2019; Dwinanda et al., 2022), the more likely they are to engage with the advert and, ultimately, make a purchase.

6. Limitations and future research directions

The current research is not without its limitations, which present opportunities for future investigations. The reliance on Prolific online panels, while efficient, excludes offline populations, restricting generalizability. Future work could employ field experiments in real-world social media campaigns to assess AI disclosure effects on perceived value and purchase intentions, using metrics like sales, click-through, and conversion rates for practical insights. Additionally, larger, more diverse samples would enable subgroup analyses and robustness checks, enhancing external validity and deepening understanding of AI-generated advertising across consumer segments.

The findings would benefit from a more detailed discussion of boundary conditions under which AI disclosure effects may be amplified or diminished. Contextual factors such as product type (e.g., search vs. experience goods), consumer involvement (low vs. high), ad format (e.g., static vs. video), and brand familiarity could meaningfully moderate these effects. A more proactive engagement with these variables in future research would enhance the theoretical contribution and clarify the generalizability of the findings. A further limitation concerns the stimuli, which combined visual and textual elements typical of real-world ads but may obscure their distinct effects on perceived value and purchase intentions. Future research should isolate these components and incorporate audio and video to enhance ecological validity. Additionally, this study focused on a low-involvement, search product category with easily evaluated quality (Lee & Shin, 2014). Examining AI disclosure effects in experience and high-involvement contexts, compared to search goods, would offer deeper insight into how product type and involvement shape consumer responses.This study relied on self-reported data, which, while valuable for capturing subjective attitudes, is vulnerable to biases such as social desirability (Steenkamp et al., 2010). To improve validity, future research should incorporate real-time methods like Experience Sampling (Uy et al., 2010) or behavioural tracking techniques such as eye-tracking, which have shown effectiveness in related fields (Scott et al., 2016). Additionally, the cross-sectional design limits understanding of the long-term effects of AI-generated advertisements. Longitudinal studies are needed to examine how repeated exposure affects the impact of AI disclosure on perceived value and purchase intentions, clarifying whether consumer responses stabilize, intensify, or diminish over time.

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Appendix. Research Stimulus

(Photo generated by Stable Diffusion and the description text generated by ChatGPT)

Step into Comfort and Style with SwiftStride Trainers!

Discover the perfect blend of comfort, durability, and fashion—your ideal companion for every step.

Key Features:

- 🛌 Unmatched Comfort: Premium memory foam insoles for all-day comfort.
- 🛠️ Durable Design: High-quality, breathable materials for longevity.
- 👟 Versatile Style: Sleek design for casual and formal occasions.
- ⚖️ Superior Traction: Non-slip soles for stability on any surface.
- 🌱 Eco-Friendly: Made from sustainable materials

Order Now!