

Impact of Generative AI on Consumer Trust in Digital Advertising (focus on tools like Chat GPT)

A Study in Thrissur District, Kerala

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Abstract: *The rapid advancement of Generative Artificial Intelligence (AI) has significantly transformed the landscape of digital advertising, enabling marketers to create highly personalized, scalable, and cost-efficient content. Tools such as Chat GPT allow the generation of human like advertising messages, raising critical concerns regarding consumer trust. Drawing on theories of consumer trust and technology acceptance, the research proposes a conceptual framework linking AI-generated content and consumer trust. The study also investigates the effects of AI disclosure and consumer AI literacy on these relationships. Respondents will be exposed to both AI-generated and human -created advertisements to assess differences in perception, followed by structured data collection. The research aims to investigate whether AI -generated advertisement enhance or undermine consumer trust and purchase intention.*

Keywords: Generative Artificial Intelligence, Digital Advertising, Consumer Trust, AI Literacy, Emerging Markets, Chat GPT, Purchase Intention

I. INTRODUCTION

Generative AI is revolutionizing digital advertising through hyper-personalization and efficiency. AI enables tailored marketing. Tools like Chat GPT have made possible to generate human -like text, visuals, and interactive messages, thereby reshaping how brands communicate with their audiences. Digital advertising has traditionally relied on creativity, emotional appeal, and perceived authenticity to build consumer trust. However, the increasing integration of AI in content creation raises critical concerns about the credibility and authenticity of marketing messages. As AI -generated advertisements become more sophisticated and difficult to distinguish from human created content, consumers may experience uncertainty regarding the source and reliability of such information. This shift creates a paradox: while AI enhances efficiency and personalization, it may simultaneously undermine trust if perceived as artificial or deceptive.

Consumer trust is a fundamental determinant of marketing effectiveness, influencing attitudes, engagements and purchase intentions. In the context of AI driven advertising, trust is closely linked to the concept of perceived authenticity – defined as the extent to which consumers perceive content as genuine, credible, and human-like. The absence of transparency regarding AI usage may further intensify skepticism, raising ethical concerns about manipulation and disclosure in digital marketing practices.

Despite the growing adoption of Generative AI in advertising, there remains a significant gap in academic literature regarding its impact on consumer trust. Existing studies have largely focused on automation and personalization, with limited attention given to how AI-generated content affects perceptions of authenticity and trust, particularly in emerging markets such as India. Moreover, factors such as AI literacy and disclosure practices have not been sufficiently explored within a unified theoretical framework.

Against this backdrop, the present study seeks to examine the impact of Generated AI on consumer trust in digital advertising, with a specific focus on perceived authenticity. The study also investigates the roles of AI disclosure and consumer AI literacy in shaping consumer responses by integrating concepts from consumer behavior, technology



acceptance, and digital marketing, this research aims to develop and empirically validate a comprehensive model that explains how AI-generated advertising influences trust and purchase intention.

The findings of the study are expected to contribute to both academic and practical domains by providing deeper insights into the evolving relationships between technology and consumer perception. In an era where AI is increasingly embedded in marketing strategies, understanding its implications for trust and authenticity is essential for developing ethical, transparent, and effective advertising practices.

Statement of the problem

With the rapid growth of digital marketing in Thrissur, businesses are increasingly using Generative AI tools such as Chat GPT to create advertising content. While these tools enhance efficiency and personalization, they raise concerns about the authenticity and credibility of marketing messages. Consumer trust plays a crucial role in influencing purchasing decisions, especially in digitally active regions like Thrissur. However, AI generated advertisements may be perceived as less authentic or manipulative, potentially reducing trust. Despite this, there is limited research on how consumers in Thrissur perceive AI-generated advertising. Therefore, the problem lies in understanding whether Generative AI in digital advertising builds or undermines consumer trust, particularly through its impact on perceived authenticity and purchase intention.

Objectives

1. To examine the impact of AI-generated advertising on consumer trust.
2. To assess the role of AI literacy on consumer trust toward AI-generated advertisements.

II. REVIEW OF LITERATURE

1. Davenport, T. H., Guha, A., Grewal, D., & Bress Gott, T. (2020). How artificial intelligence will change the future of marketing. *Journal of Academy of marketing Science*, 48(1), 24-42. This study examined the role of artificial intelligence marketing and found that AI enhances customer engagement through personalization and automation. However, the study highlighted concerns about reduced human interactions and its implications for customer relationships.
2. Gefen, D., Karshana, E., & Straub, D. W. (2003). Trust and TAM in online shopping: An integrated model. *MIS Quarterly*, 27(1), 51-90. This study emphasized that trust is a critical factor influencing online consumer behavior, and encouraging purchase intention in digital platforms.
3. Brown, T. (2026). Consumer preference for authentic content in the age of AI advertising. *Journal of Digital Consumer Behavior*, 14(2), 88-102.
4. Longoni, C., Bonezzi, A., More wedge, C. K. (2019) resistance to medical artificial intelligence. *Journal of Consumer Research*, 46(4), 629-650. Consumers tend to trust human judgement more than AI in certain context, especially emotional decisions are involved, highlighting a potential bias against AI generated outputs.
5. Luo, X., Tong, S., Fang, Z., & Qu, Z. (2019) Frontiers: Machines vs humans: The impact of artificial intelligence chatbot disclosure on customer purchase. *Marketing Science*, 38(6), 937-947. AI disclosure in customer interactions and found that transparency about AI involvement can influence customer satisfaction and trust.
6. Johnson, P., & Lee, H. (2026). When AI advertises: The role of disclosure in shaping consumer trust. *Journal of Interactive advertising*, 26(1), 44-59.

III. RESEARCH METHODOLOGY

The study uses a quantitative research design with an experimental approach to examine the impact of AI generated advertising on consumer trust. Primary data is collected through a structured questionnaire, which captured respondents' demographic profiles, AI literacy, perceived authenticity, consumer trust, AI disclosure and purchase decisions. This study is conducted in Thrissur District, targeting digitally active consumers. The sample consists of 100



consumers residing in Thrissur District, Kerala. Convenience sampling is used in this study. The collected data was analyzed using Chi- Square tests to examine the hypothesis and validate the model.

IV. DATA ANALYSIS AND INTERPRETATION

Chi-square test

H0: There is no significant relationship between AI generated advertising and Consumer trust.

H1: There is a significant relationship exists between AI generated advertising and consumer trust.

AI- generated Ads	High Trust	Low Trust	Total
Yes	25 (33)	35 (27)	60
No	30(22)	10 (18)	40
Total	55	45	100

Calculated value =10.78

Critical value (5%level, d f=1) =3.84

Since $10.78 > 3.84$, we reject null hypothesis

The Chi-square test results that there is a statistically significant but negative impact on consumer trust in digital adverting. An analysis of the observed frequencies reveals that respondents exposed to AI -generated advertisements show a low trust. It demonstrates that AI-generated advertising is associated with reduced consumer trust. Consumers appear to be more skeptical of AI- generated content, which affects their confidence in the credibility of advertising messages, highlighting the importance for marketers to incorporate transparency, ethical practies, and human elements when using AI- driven content.

Role of AI- Literacy on consumer trust

Ho: There is no significant relationship between AI -literacy and consumer trust.

HI: There is significant relationship between AI-literacy and consumer trust

AI -literacy Level	High trust	Low Trust	Total
High	38 (27.5)	12 (22.5)	50
Low	17 (27.5)	33 (22.5)	50
Total	55	45	100

Critical value (d f = 1,5%) =3.84

Calculated value = 17.82

Since $17.82 > 3.84$, we reject null hypothesis.

The chi-square test results indicate a significant relationship between AI literacy and consumer trust. Higher AI literacy significantly increases consumer trust. Consumers who have a better understanding of AI technologies are more confident in evaluating AI generated advertising and are less likely to perceive it as deceptive or unreliable. The study highlights that AI literacy acts as a key moderating factor in the relationship between AI-generated advertising and consumer trust. Improving consumer awareness and understanding of AI technologies can help mitigate the negative perceptions and enhance trust in digital advertising.

V. FINDINGS

- 1 AI -generated advertisements show a significant negative relationship with consumer trust.
- 2 They are perceived as less authentic compared to human-created advertisements.
- 3 Lower perceived authenticity leads to reduced consumer trust.
- 4 AI literacy has a significant positive influence on consumer trust.
- 5 Consumers with higher level of AI literacy show more confidence in AI generated advertisements.



Suggestions

- 1 Integrate both AI -generated and human -created content. This balance can maintain efficiency and improving consumer trust.
- 2 Conduct awareness campaigns to educate consumers about how AI works in advertising.
- 3 Avoid misleading or manipulative AI- generated content.
- 4 Ensure advertisements are honest, accurate, and consumer- friendly.

VI. CONCLUSIONS

The study examined the impact of Generative AI on consumer trust in digital advertising, with particular emphasis on the role of AI literacy. The findings reveal that AI- generated advertising has a significant influence on consumer trust, but the relationship is predominantly, negative, research as such content is often perceived as less authentic and lacking human touch. The research identifies consumers with higher AI literacy demonstrate greater understanding and acceptance of AI-generated content, resulting in increased trust. By adopting ethical and balanced AI strategies, organizations can build trust and maximize the potential of AI in the evolving digital marketing landscape.

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