

Building Brand Trust and Consumer Engagement in AI Advertising

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Abstract

The growing adoption of artificial intelligence (AI) in digital advertising has changed the way organizations create and distribute advertising material, but has raised issues about transparency, client trust and engagement. The objective of this research is to examine the impact of AI transparency and perceived visual attractiveness on consumer engagement with brand trust as a mediator. The study was quantitative and consisted of a poll of 200 customers who had observed AI-based marketing on social media. Data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM). Results indicate that AI transparency enhances brand trust and consumer engagement. The perceived visual appeal has a positive impact on brand trust but no substantial direct impact on customer involvement. The biggest effect size was for the beneficial influence of brand trust on consumer engagement, indicating that brand trust is crucial to convert consumers' impressions of AI-based advertising into action. In addition, the mediation study revealed that brand trust plays a crucial role as a mediator between AI transparency and client engagement and perceived visual attractiveness and consumer engagement. These findings indicate that AI-powered advertising is not only about technical skills or visual esthetics, but also about the capacity of brands to build trust with their customers. Our study contributes to a growing body of literature on AI-based advertising by highlighting the role of brand trust as a psychological mechanism that mediates the relationship between advertising characteristics and consumer engagement. The findings point to the need for marketers to blend straightforward discourse about AI with visually engaging advertising while placing a premium on trust-building tactics.

Keywords:

AI transparency; perceived visual appeal; brand trust; customer engagement; AI-based advertising

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INTRODUCTION

The rapid development of generative artificial intelligence (GenAI) has transformed the way advertising content is conceptualized, produced, and delivered. AI-generated advertising enables marketers to create visual and textual content more efficiently, personalize communication, and develop creative executions at scale (Raut et al., 2025). As AI becomes increasingly integrated into advertising production, however, consumer responses to AI-generated advertisements have become an important issue. Unlike conventional advertising, AI-generated advertising introduces uncertainty regarding how the content was produced, whether the information presented is authentic, and whether the brand can be trusted when artificial intelligence plays a substantial role in creating the advertisement (Israfilzade, 2025). Recent research consequently highlights transparency, credibility, authenticity, and consumer trust as important issues in the adoption of AI-generated advertising (Do et al., 2026; Le et al., 2026).

The importance of these issues is particularly evident because advertising effectiveness is no longer determined solely by whether an advertisement attracts attention. Consumers may initially respond to visually appealing and creative AI-generated content, but their subsequent evaluation may depend on whether the advertisement appears credible, authentic, and consistent with the brand (Nazrin et al., 2025). Recent empirical evidence indicates that AI disclosure can produce different consumer responses depending on the context (Kim et al., 2022). Do et al. (2026), for example, found that transparency disclosure enhanced consumer trust and advertising credibility in AI-generated advertisements. In contrast, other studies have reported that AI disclosure can reduce trust or advertising attitudes under particular conditions, suggesting that transparency is not automatically beneficial and that consumer responses depend on how AI involvement is communicated and interpreted (Wortel et al., 2024; Kim et al., 2025).

Beyond transparency, the visual characteristics of AI-generated advertising are also important because advertising is fundamentally a visual form of marketing communication. AI technologies allow marketers to produce highly attractive, novel, and imaginative visual executions that may capture consumers' attention and encourage further interaction (Hartmann et al., 2025). Recent research demonstrates that visual styles in AI-generated advertising can influence consumer consultation intentions, although greater visual realism or authenticity does not necessarily produce more favorable responses in every situation (Qin et al., 2026). This indicates that visual appeal should be considered not merely as an aesthetic characteristic but as an important cue through which consumers initially evaluate AI-generated advertising (Li et al., 2026).

A growing body of research has therefore examined consumer responses to AI-generated advertising, including advertising attitude, credibility, trust, purchase intention, and engagement. For example, recent studies have investigated disclosure and transparency as mechanisms influencing trust and advertising evaluation (Do et al., 2026; Le et al., 2026), while other research has examined how AI-generated advertising affects consumer engagement and brand perceptions across different cultural contexts. Nevertheless, the existing literature remains fragmented. Some studies focus primarily on the technological or disclosure aspects of AI advertising (Bui, 2026), whereas others emphasize advertising creativity, visual characteristics, credibility, or behavioral outcomes (Khan et al., 2025). As a result, there is still limited understanding of how visual appeal and transparency jointly contribute to the development of brand trust and consumer engagement in AI-generated advertising.

This gap is important because brand trust represents a relational evaluation of the brand, whereas consumer engagement reflects consumers' behavioral and psychological involvement with the brand or advertisement. Trust may determine whether consumers are willing to continue interacting with advertising content after their initial exposure, while engaging advertising content can encourage consumers to pay attention, seek additional information, react, comment, share, or interact with the brand. Recent research supports the relevance of trust in AI-generated advertising, showing that transparency and verification signals can function as cues that reduce uncertainty and strengthen consumer trust. However, the mechanisms through which advertising characteristics translate into both trust and engagement remain insufficiently integrated in existing research.

Accordingly, this study aims to examine how AI transparency and perceived visual appeal contribute to brand trust and consumer engagement in AI-generated advertising. The study focuses on consumers who encounter AI-generated advertising in digital and social media environments, where advertising content is increasingly visual, interactive, and algorithmically produced. By examining these relationships simultaneously, the study seeks to provide a more focused explanation of how consumers move from evaluating the characteristics of AI-generated advertising to developing trust in the brand and engaging with the advertising content.

The contribution of this study is twofold. First, it contributes to the emerging literature on AI-generated advertising by connecting advertising transparency and visual appeal with two important consumer outcomes, namely brand trust and consumer engagement. Second, it provides practical implications for marketers by demonstrating that effective AI advertising requires more than technological efficiency or visual novelty. The way AI involvement is communicated and the quality of the resulting visual

experience may both be important in developing consumer responses. The novelty of this study lies in integrating these two complementary dimensions—transparency as a trust-related cue and visual appeal as an attention- and evaluation-related cue—within a focused model of brand trust and consumer engagement in AI-generated advertising.

LITERATURE REVIEW

AI Transparency and Brand Trust

AI transparency refers to the extent to which consumers receive clear and understandable information about the involvement of artificial intelligence in the creation or delivery of advertising content (DeZao, 2024; Le et al., 2026). In AI-generated advertising, transparency is particularly relevant because consumers may be uncertain about how advertising content is produced and whether the content accurately represents the brand or product (Avidar & Mashiah, 2026). Transparency can reduce such uncertainty by providing consumers with information about the role of AI in the advertising process.

The relationship between transparency and trust can be explained through Signaling Theory. Signaling Theory suggests that organizations can reduce information asymmetry by providing signals that help stakeholders evaluate the credibility and intentions of the signal sender (Spence, 1973). In the context of AI-generated advertising, transparent disclosure of AI involvement can function as a signal of openness and accountability. When brands openly communicate the use of AI rather than allowing consumers to discover it independently, consumers may perceive the brand as more honest and responsible.

Recent empirical research provides support for this relationship. Do et al. (2026) found that transparency disclosure mechanisms in AI-generated advertising can enhance consumer trust and advertising credibility. Similarly, Le et al. (2026) showed that perceived transparency can strengthen perceptions of the credibility of the AI advertising creation process. However, the effect of transparency may depend on the way AI involvement is disclosed and interpreted by consumers. Thus, transparency should not be understood simply as disclosure, but as a communication mechanism that can influence consumers' perceptions of the brand's honesty and credibility.

Based on this theoretical and empirical reasoning, the following hypothesis is proposed:

H1: AI transparency has a positive effect on brand trust.

Perceived Visual Appeal and Brand Trust

Perceived visual appeal refers to the extent to which consumers perceive AI-generated advertising as attractive, aesthetically pleasing,

creative, and visually engaging (Zhang & Hur, 2025). Visual characteristics are particularly important in digital advertising because consumers are frequently exposed to large amounts of content and may make rapid evaluations based on visual cues (Bashirzadeh et al., 2025).

This relationship can be explained through Signaling Theory, in which observable characteristics of an advertisement can serve as signals of the quality and professionalism of the brand. A visually appealing advertisement may signal that a brand is capable of producing high-quality communication and paying attention to the consumer experience. Consequently, positive visual evaluations may contribute to favorable perceptions of the brand and strengthen brand trust.

Research on AI-generated advertising suggests that visual characteristics can influence consumers' evaluations of advertising and brands (Dinev, 2026). Recent studies indicate that visual realism, creativity, and the quality of AI-generated content can shape perceptions of authenticity, credibility, and advertising effectiveness (Liu & Jinho, 2026). However, visual attractiveness alone may not be sufficient to establish trust when the visual content appears unrealistic, misleading, or inconsistent with the actual product. Therefore, visual appeal is expected to contribute to brand trust particularly when attractive presentation is accompanied by credible and realistic representations.

Based on this argument, the following hypothesis is proposed:

H2: Perceived visual appeal has a positive effect on brand trust.

AI Transparency and Consumer Engagement

Consumer engagement refers to consumers' cognitive, emotional, and behavioral involvement with advertising or brand-related content (Ma et al., 2026). In digital environments, engagement may be reflected through attention, interest, information seeking, liking, commenting, sharing, or other forms of interaction.

AI transparency may influence engagement because consumers increasingly encounter AI-generated content without necessarily knowing how it was produced (Pawar et al., 2026). Transparent communication about AI involvement can provide consumers with greater clarity and reduce uncertainty surrounding the advertising content (Le et al., 2026). From the perspective of Signaling Theory, transparency can serve as a positive signal regarding the brand's willingness to communicate openly with consumers.

Recent research indicates that disclosure of AI involvement can influence consumer responses to advertising, including engagement-related outcomes. Wu et al. (2025), for example, demonstrated that the effects of AI disclosure on word-of-mouth responses vary according to the advertising task and consumers' perceptions of AI capability. This suggests that transparency

does not necessarily produce the same response in every advertising situation. Nevertheless, when transparency is perceived as informative and responsible, it can facilitate more informed consumer responses and encourage interaction with the advertising content.

Therefore, this study proposes:

H3: AI transparency has a positive effect on consumer engagement.

Perceived Visual Appeal and Consumer Engagement

Perceived visual appeal is expected to play an important role in generating consumer engagement because attractive visual content can capture attention in highly competitive digital environments (Liu et al., 2025). When consumers perceive an advertisement as creative, aesthetically pleasing, and visually interesting, they may be more willing to stop scrolling, examine the content, seek additional information, and interact with the advertisement (Shabalina & Nelson, 2025).

This relationship can be supported by the Stimulus–Organism–Response (S-O-R) framework (Mehrabian & Russell, 1974), which proposes that external stimuli can influence consumers' internal evaluations and subsequently produce behavioral responses. In this context, the visual characteristics of AI-generated advertising represent the stimulus, while consumer engagement represents a behavioral response. A visually appealing advertisement can stimulate attention and interest, increasing the likelihood that consumers will engage with the content.

Recent research on AI-generated advertising and digital advertising supports the importance of visual characteristics in shaping consumer responses (Exner et al., 2025). AI technologies allow marketers to produce novel and highly creative visual content, potentially increasing consumers' attention and interaction. Nevertheless, visual appeal needs to be consistent with the advertising message and the actual product. Excessively artificial or unrealistic visuals may attract initial attention but fail to sustain engagement. Thus, the following hypothesis is proposed:

H4: Perceived visual appeal has a positive effect on consumer engagement.

2.5 Brand Trust and Consumer Engagement

Brand trust represents consumers' willingness to rely on a brand based on the expectation that the brand is credible, reliable, and acts in consumers' interests (Muniz et al., 2024). In AI-generated advertising, trust is particularly important because consumers may question the authenticity and reliability of content produced using artificial intelligence.

The relationship between brand trust and consumer engagement can be explained through Commitment–Trust Theory (Morgan & Hunt, 1994).

The theory emphasizes trust as an important foundation for developing and maintaining meaningful relationships between consumers and organizations. When consumers trust a brand, they are more likely to maintain interaction with the brand and demonstrate stronger involvement with its communication (Samarah et al., 2022).

In AI-generated advertising, trust may therefore determine whether consumers move beyond merely viewing an advertisement toward more active forms of engagement. Consumers who perceive the brand as trustworthy may be more willing to seek information, interact with content, provide feedback, or share advertising messages (Lou & Yuan, 2019). Conversely, uncertainty about the brand's honesty or the authenticity of AI-generated content may discourage further interaction.

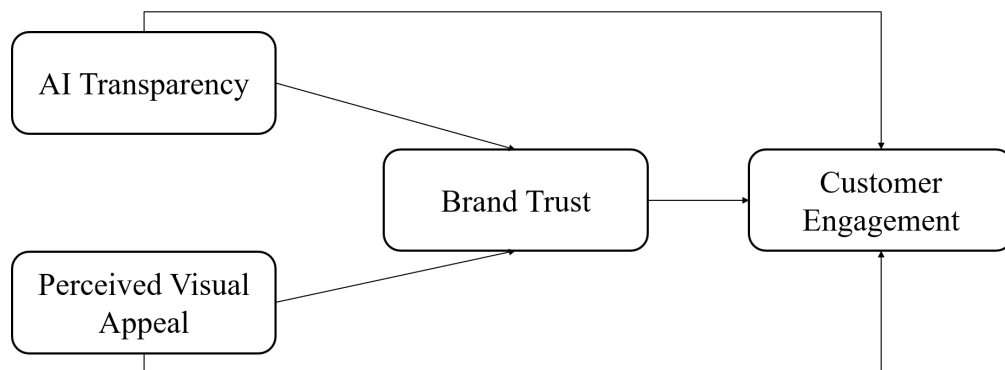
Accordingly, this study proposes:

H5: Brand trust has a positive effect on consumer engagement.

Conceptual Framework

Based on the theoretical arguments and previous research discussed above, the conceptual framework of this study is presented in Figure 1.

Figure 1.
Conceptual Framework



RESEARCH METHOD

This study employed a quantitative cross-sectional survey of 200 Indonesian social media users who were at least 17 years old, actively used social media, and had previously encountered AI-generated advertising. Data were collected through an online questionnaire using a five-point Likert scale and analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) to examine the relationships among AI Transparency, Perceived Visual Appeal, Brand Trust, and Customer Engagement.

FINDINGS AND DISCUSSION

Respondents' characteristics

The study surveyed 200 respondents who have expertise on social media and exposure to AI based advertising. Most of the respondents were females (75.0%) whereas 25.0% of the respondents were males. The biggest number of respondents (47.5%) were in the age category of 17–20 years, followed by 21–25 years (29.5%). The majority of respondents were students (74.0%) and had completed senior high school/vocational high school (63.0%). In terms of monthly income, 55.0% had an income of less than IDR 2,000,000. The intensity of social media use was relatively high with 58.0% of the respondents utilizing social media for more than five hours per day.

This respondent profile is important for the research topic since the sample includes mostly of young people who are very engaged on social media and likely to encounter AI-generated or AI-assisted advertising content in their daily digital environment. The significant percentage of respondents who had encountered AI-based advertising before also suggests that AI advertising is not an unknown occurrence for the respondents.

Measurement Model Evaluation

Assessment of the measurement model was done using outer loadings, internal consistency reliability, convergent validity and discriminant validity. All indicators had adequate factor loadings between 0.734 and 0.964. The lowest loading was for X1.3 (0.734) and the highest for Y1.2 (0.964). All loadings were above the frequently accepted criterion of 0.70, suggesting that the indicators effectively represented their respective structures.

The reliability results also showed good internal consistency. Cronbach's alpha ranged from 0.837 to 0.938 and composite reliability (ρ_c) ranged from 0.891 to 0.960. The values show that the constructions have good dependability. Moreover, the AVE values ranged from 0.673 to 0.890, which were more above the minimum recommended value of 0.50. So the constructs had enough convergent validity.

Discriminant validity was demonstrated as well. The HTMT ratios varied from 0.558 to 0.853, which is below the conservative criterion of 0.90. The Fornell–Larcker criterion additionally verified that the square root of AVE of each construct was greater than its correlations with other constructs. Therefore, AI Transparency, Perceived Visual Appeal, Brand Trust and Client Engagement were empirically differentiated.

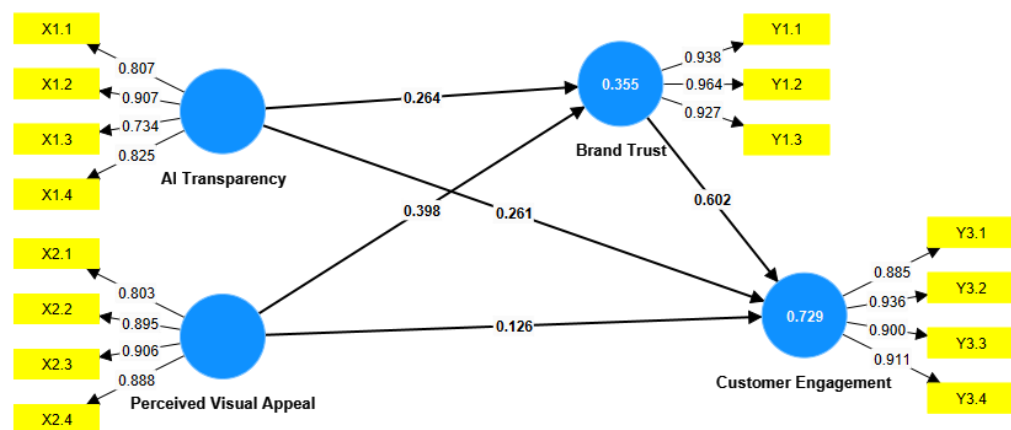
Structural Model and Hypotheses Testing

The structural model shows that AI Transparency and Perceived Visual Appeal have effects on Brand Trust. Brand Trust then has a major contribution to Consumer Engagement. The outcomes of hypothesis testing are as follows.

Table 1.
Hypothesis Testing Results

Relationship	β	t-value	p-value	Decision
AI Transparency → Brand Trust	0.264	2.836	0.005	Supported
AI Transparency → Customer Engagement	0.261	3.954	<0.001	Supported
Brand Trust → Customer Engagement	0.602	13.018	<0.001	Supported
Perceived Visual Appeal → Brand Trust	0.398	4.554	<0.001	Supported
Perceived Visual Appeal → Customer Engagement	0.126	1.874	0.061	Not supported

Figure 2.
Structural Model



Effect of AI Transparency on Brand Trust

The results show that AI Transparency has a positive and significant effect on Brand Trust ($\beta = 0.264$; $t = 2.836$; $p = 0.005$). This finding indicates that when consumers perceive greater transparency regarding the use or role of AI in advertising, their trust in the brand tends to increase. The result supports the argument that transparency can reduce uncertainty surrounding AI-generated advertising and provide consumers with greater clarity regarding how advertising content is created and delivered.

This finding is consistent with Do et al. (2026), who demonstrated that transparency disclosure mechanisms in AI-generated advertising can strengthen user trust and engagement. Similarly, Le et al. (2026) found that role disclosure transparency in AI-generated advertisements influences

consumers' persuasion processes, highlighting the importance of clearly communicating the role of AI in advertising creation. The finding is also relevant to Avidar and Mashiah (2026), who emphasize trust and transparency as important ethical challenges in the creation and consumption of AI-generated content. From the perspective of Signaling Theory (Spence, 1973), transparency can function as a signal that reduces information asymmetry between brands and consumers. When brands openly communicate their use of AI, consumers may interpret such openness as an indication of honesty and accountability, thereby strengthening trust.

However, transparency does not necessarily produce positive consumer responses in every context. Wortel et al. (2024) found that disclosure of AI involvement in Instagram advertising can influence consumer attitudes, while Koning and Voorveld (2025) demonstrate that the effects of AI disclosure on trust depend on how consumers interpret the disclosure. Similarly, Grigsby et al. (2025) highlight that AI disclosure in service advertising can influence trust and advertising evaluations depending on the characteristics of the advertising context. Therefore, the significant positive effect identified in this study suggests that, among the respondents examined, AI transparency is perceived more as a signal of openness than as a negative cue. This finding reinforces the importance of not merely disclosing AI use, but communicating it in a manner that is clear and credible to consumers.

Effect of AI Transparency on Customer Engagement

AI Transparency also has a positive and significant direct effect on Customer Engagement ($\beta = 0.261$; $t = 3.954$; $p < 0.001$). This result indicates that consumers who perceive greater transparency regarding AI involvement in advertising are more likely to demonstrate engagement with the advertising content or brand.

This finding is in line with Do et al. (2026) who particularly analyzed transparency disclosure techniques in AI-generated advertising, and found their relevance for both user trust and engagement. Pawar et al. (2026) explored the advertising of AI generated material on social media with focus on consumer involvement and brand growth to support this finding. Moreover, Wu et al. (2025) indicate that the influence of AI disclosure on customer reactions can be contingent upon the advertising task and consumers' views of AI capabilities. The results show that openness can influence consumers' reactions by providing information that allows them to understand the function of AI in advertising.

Also, the positive relationship from this study can be explained by Signaling Theory (Spence, 1973). Transparent communication to customers regarding the use of an AI may help eliminate uncertainty, and enable more informed judgments of advertising content. If consumers believe the

disclosure to be informative, as opposed to deceptive or obtrusive, they may be more willing to pay attention to, engage with and respond to the advertising content. The outcome therefore shows that transparency can have repercussions beyond trust development and can directly stimulate customer participation.

Wortel et al. (2024) and Koning and Voorveld (2025), however, point out that consumers may not always respond positively to disclosure of AI. Differences in findings could be attributed to the advertising context, the method of disclosure, and the understanding of AI engagement by consumers. Thus, the positive association identified in this study implies that transparency is more likely to enhance engagement when customers consider the AI disclosure to be clear, relevant, and consistent with the brand's messaging.

Effect of Perceived Visual Appeal on Brand Trust

Perceived Visual Appeal has a positive and significant effect on Brand Trust ($\beta = 0.398$; $t = 4.554$; $p < 0.001$). Among the antecedents examined, its coefficient is stronger than that of AI Transparency, indicating that consumers' perceptions of the visual quality of AI-generated advertising play an important role in shaping their trust in the brand.

This study is in line with the work of Bashirzadeh et al. (2022), who illustrate the relevance of visual design aspects in digital marketing communication. Visual attributes can influence consumers' evaluations, since beautiful and well-designed contents can produce positive first impressions and signal quality. Similarly, Shabalina and Nelson (2025) underline the significance of advertising design and visual esthetics in social media interactive settings. The results of these studies reinforce the notion that visual appeal is not only an esthetic attribute, but it can influence the way consumers judge advertising messages.

This conclusion is particularly relevant for advertisements produced by AI. Hartmann et al. (2025) showcase the possibilities of generative AI in creating extremely sophisticated visual marketing content. Dinev (2026) explore customer attitudes about AI-generated versus human-made brand images, touching on authenticity and consumer engagement aspects. In addition, Qin et al. (2026) found that diverse visual styles of AI-generated commercials can alter consumers' consultation intents. Collectively, these findings imply that the visual features of AI-created advertising might influence consumers' evaluations and subsequent reactions.

The favorable effect obtained in this study indicates that if consumers consider commercials generated by AI as attractive, esthetically acceptable, and visually appropriate, they are likely to infer better professionalism and quality of the business. This interpretation also corresponds to Signaling Theory (Spence, 1973), which posits that observable qualities might signal

underlying quality. Thus, visual appeal may serve as a quality-related signal that leads to the building of brand trust.

Effect of Brand Trust on Customer Engagement

The strongest relationship in the structural model is the effect of Brand Trust on Customer Engagement ($\beta = 0.602$; $t = 13.018$; $p < 0.001$). This finding demonstrates that consumers who have greater trust in a brand are substantially more likely to engage with its advertising or brand-related content.

The conclusion is very consistent with the findings of Samarah et al. (2022), who showed that brand trust plays a significant mediating role in consumer brand engagement and brand loyalty on social media. It is also in line with Lou and Yuan (2019) who show the importance of trust to influence consumers' responses to branded material on social media. These findings confirm the concept that trust is an important building block in the formation of meaningful consumer-brand relationships in digital contexts.

The relationship can also be described using Commitment-Trust Theory (Morgan & Hunt, 1994) which posits trust as a core premise of successful relationship marketing. If consumers find a brand reputable and credible, they tend to remain interactive and involved with the brand. Such a technique is particularly relevant when considering AI-Generated Advertising, as consumers may have issues regarding the authenticity and reliability of information supplied by AI. When these kinds of anxieties are alleviated by trust in the brand, customers may be more likely to listen to, participate in, and react to brand communication.

Therefore, the strong coefficient of Brand Trust in the present study implies that trust is the key psychological process enabling engagement with customers. This research also supports Ma et al. (2022) who consider consumer involvement to consist of cognitive, emotional, and behavioral dimensions in social media brand environments. Therefore, consumer engagement should not be seen as a mere reaction to attractive advertising content, but it can also arise from consumers' broader trust in the brand behind such content.

Effect of Perceived Visual Appeal on Customer Engagement

Perceived Visual Appeal has a positive but statistically insignificant direct influence on engagement with customers ($\beta = .126$; $t = 1.874$; $p = .061$). Thus, consumers may react positively to visually appealing AI-generated ads, but visual appeal alone may not be sufficient to drive active interaction with the company.

One argument is that visual attractiveness mostly acts as a cue connected to attention and evaluation rather than a direct motivator of

engagement behavior. Consumers may find an advertisement interesting, but they don't have to like, comment, share, seek more information or interact with the brand. Engagement in social media advertising may need for further psychological testing in addition to esthetic appreciation. For instance, Shabalina and Nelson (2025) point out that good social media advertisements should contain compelling images, as well as authenticity, interaction, and user control.

The outcome can also be explained by the nature of AI-generated advertising in that visual beauty does not necessarily imply credibility or relational value. Bashirzadeh et al. (2022) find that visual design elements may lead to varying consumer outcomes depending on how they are presented and digested. Their results demonstrate that richer visual features can have good impacts, but also can lead to clutter that reduces behavioral responses. Consequently, consumers' involvement might be less related to the attractiveness of an advertisement and more to the visual content's contribution to a meaningful and trustworthy brand experience.

CONCLUSIONS

This study shows that AI Transparency and Perceived Visual Appeal have a significant impact on consumer responses to AI-based advertising, particularly through Brand Trust. The findings show that increased perceived transparency about the use of AI in advertising boosts consumer trust in the brand. Transparency also has a direct beneficial impact on Customer Engagement, implying that consumers are more likely to connect with firms when they perceive AI use to be clear and transparent.

Perceived visual appeal also contributes greatly to brand trust. This suggests that appealing and well-designed AI-based advertising might improve brand perceptions and boost consumer confidence. However, visual appeal alone does not greatly boost customer engagement. Instead, its main contribution to engagement is through Brand Trust.

The most significant result is the critical importance of Brand Trust in driving Customer Engagement. Among the model's relationships, Brand Trust has the strongest association with Customer Engagement. This shows that beautiful and transparent AI advertising alone is insufficient to elicit meaningful consumer interaction. When these advertising traits successfully build trust with consumers, they are more inclined to engage with the brand.

Overall, the findings indicate that the effectiveness of AI-based advertising is determined not only by AI's technological capabilities, but also by consumers' perceptions of the advertising as transparent, visually appealing, and trustworthy. For practitioners, the findings highlight the necessity of integrating responsible AI communication with high-quality creative execution to foster customer trust and, ultimately, engagement.

Suggestions

Based on these findings, organizations that use AI in advertising should explain AI involvement in a clear, intelligible, and consumer-oriented manner, rather than approaching transparency solely as a technical disclosure. At the same time, organizations should retain high visual quality because visual appeal plays an important role in the establishment of brand trust. Marketing strategies should consequently prioritize generating AI advertising that combines transparency, visual quality, authenticity, and believability.

Companies should also prioritize trust-building efforts, as brand trust is the most critical gateway to customer engagement. Rather than focusing solely on creating visually appealing AI content or increasing technological complexity, marketers should ensure that AI-based advertising aligns with the brand's values and provides a genuine consumer experience.

LIMITATION & FURTHER RESEARCH

There are a number of limitations to this study that should be noted when interpreting the findings. First, the study utilized a cross-sectional research methodology, whereby data was collected at a moment in time. The study thus captures consumer views and responses at a point in time and cannot completely account for how perceptions of AI advertising and Brand Trust may evolve as consumers get more familiar with artificial intelligence (AI) technology.

Second, the study only takes into account a limited range of characteristics, namely AI Transparency, Perceived Visual Appeal, Brand Trust and Customer Engagement, respectively. While the model accounts for a major part of the variance in Customer Engagement metrics, other factors could potentially be impacting consumers' response to AI-based advertising. Other variables such as perceived authenticity, AI skepticism, privacy concerns, perceived intrusiveness, advertising credibility, consumer innovativeness, and AI literacy could provide additional answers.

Third, the dominance of young social media users among the respondents may restrict the generalizability of the findings to older customers or consumers with varying levels of digital and AI awareness. Therefore, future research should explore more different demographic groupings and compare consumers in categories of age, AI literacy, and social media usage intensity.

Future study can potentially take an experimental or longitudinal approach to evaluate whether different types of AI disclosure lead to varied levels of trust and participation over time. For example, future work may compare explicit AI disclosure conditions with subtle disclosure and no disclosure criteria.

This would offer more convincing evidence for the causal role of AI transparency.

In addition, Brand Trust may serve as a mediation mechanism for future investigations, maybe in conjunction with other psychological variables such as perceived authenticity or AI skepticism. It would be interesting to explore cross-cultural differences in consumers' responses to AI-based advertising in various cultural and technology situations. Such extensions would offer a more holistic view on how firms may utilize AI advertising effectively while preserving consumer trust and engagement.

AUTHOR CONTRIBUTION

Putu Laksmita Dewi Rahmayanti: Conceptualisation: Research Design, Methodology, Supervision, Data Analysis, Writing – Original Draft, Writing – Review and Editing, and Project Administration. **Cokorda Gede Govinda Partha:** Conceptualisation, Research Design, Methodology, Data Collection, Data Analysis, and Writing – Review and Editing. **Fikrul Hakim:** Methodology, Data Analysis, Data Interpretation, Writing – Original Draft, and Writing – Review and Editing. **Ni Kadek Sumardi:** Data Collection, Data Preparation, Literature Review, and Writing – Original Draft. **Kadek Kamalatkika Nammi:** Data Collection, Data Preparation, Literature Review, and Writing – Original Draft. **I Gusti Ayu May Angelia Putri:** Data Collection, Data Validation, Data Preparation, and Writing – Review and Editing. **Wayan Cherrie Hana Melati:** Data Collection, Data Validation, Literature Review, Reference Management, and Editing and Layouting.

Declaration of Interest

The authors state that they have no known competing financial interests or personal relationships that could have influenced the work presented in this study.

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