International Journal of Artificial intelligence and Modern Engineering

Reimagining Marketing Strategy in the Age of AI: Strategic Decision-Making, Competitive Advantage, and Market Adaptability

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Abstract- The focus of this study was to assess how artificial intelligence (AI) could contribute to making strategic marketing decisions concerning the new ways companies are going to develop innovative marketing strategies through customer centeredness, customization/personalization, segmentation and pricing optimization. Based on Strategic Fit Theory and Dynamic Capabilities Theory, this study predicted that using artificial intelligence would positively affect the way companies innovate their marketing strategies (Hypothesis 1), and that this positive effect would increase with higher levels of environmental turbulence (Hypothesis 2). The purpose of this study was to provide the basis for a conceptual model, describe the methodology used to test it by developing scenarios, collecting and analysing data, and offer some advice to managers who are facing more turbulent competitive environments than ever before. Moreover, this study adds to the existing body of literature by linking AI adoption with strategic marketing research, specifying market turbulence as a moderating variable between AI and innovative marketing strategies, and offering actionable information to management teams operating in rapidly changing competitive environments.

Keywords- Artificial Intelligence Adoption, Marketing Strategy Innovation, Customer-Centricity, Personalization, Segmentation, Pricing Optimization, Market Turbulence, Dynamic Capabilities, Strategic Fit.

Date of Submission: 31/08/2025
Date of Review: 07/11/2025
Date of Acceptance: 03/02/2026
IJAIME / Volume 1, Issue 1, (Jan-Jun)2026

1. INTRODUCTION

Organisations are now faced with increasing pressure to evolve their marketing strategies to maintain a competitive edge within a highly digital and constantly evolving business environment. Artificial Intelligence (AI) is fundamentally changing the way marketers make decisions using technology to provide them with data driven insights, hyper-personalized engagement, and automation (Grewal et al., 2024; Haleem et al., 2022). AI enables companies to use historical patterns and trends to forecast consumer behaviour, automate campaign optimization on the fly, improve operational efficiency, ultimately creating better strategic results for organizations (Amin et al., 2025; Mahmood et al., 2024). Thus, Marketing Managers have been increasing the integration of Artificial Intelligence (AI) as part of their strategic processes for supporting their creative potential, their flexibility, and competitive advantage (Javed et al., 2025). Firms operate in marketplaces that are subject to volatility, uncertainty, complexity, and ambiguity, or "Market Turbulence". The market turbulence – including shifts in consumer preferences, technology disruptions, increased competition, etc. – necessitates firms to apply flexible and adaptive marketing strategies to respond to changing conditions (Chatterjee, 2023). As such, in an environment that is highly dynamic, AI-enabled analytics and predictive modeling allow Marketing Managers to better identify and take advantage of developing opportunities and threats than they could using traditional methodologies (Tuominen, 2023).

This research study examines how the use of AI in the strategic decision-making process affects marketing strategy innovation (dependent variable), and the sub-dimensions of customer-centricity, personalization, segmentation, and price optimization (Akbar, 2024). The research also hypothesizes that market turbulence will moderate the relationship between the two variables by amplifying the positive impact of AI adoption in more turbulent markets.

The theoretical model used in this research is based upon two well-established theories of strategic management: Strategic Fit Theory, and Dynamic Capabilities Theory. The theoretical model provided a dual perspective: Strategic Fit Theory emphasized the alignment of an organization's internal capabilities with the external environment; whereas Dynamic Capabilities Theory focused on an organization's ability to perceive, utilize, and transform its internal and external resources to create sustainable competitive advantages (Zhang, 2021). By combining the two theories, it may be inferred that AI adoption creates the capability for organizations to develop dynamic marketing capabilities that enhance an organization's strategic fit, agility, and ability to innovate in turbulent markets.

LITERATURE REVIEW

Adoption of Artificial Intelligence in Strategic Marketing Decision Making

There is evidence of increasing adoption of AI in marketing (Haleem et al., 2022). Many companies have adopted predictive analytics, machine learning models, chatbots and automation to improve their marketing's efficiency and effectiveness (Haleem et al., 2022). The use of AI has enabled companies to implement data driven decision making and therefore move away from being reactive and toward being proactive with respect to their marketing activities (Amin et al., 2025; Mahmood et al., 2024). Companies are able to utilize AI to better engage with their customers and therefore create greater value through improved operational efficiencies (Amin et al., 2025; Mahmood et al., 2024). Marketers have also indicated that they believe AI usage optimizes pricing, promotions and segmentation decisions (Marketing Professionals' Adoption of AI, 2025). As such, AI adoption represents a major antecedent of strategic marketing decision making.

Marketing Strategy Innovation – Sub-Dimensions

Marketing strategy innovation is defined as the development and implementation of new marketing strategies which produce competitive advantage. Examples of sub-dimensions of marketing strategy innovation include customer centricity (i.e., placing the customer at the centre of the strategy); personalization (i.e., tailoring messages/offers to individual customers); segmentation (i.e., dividing customer groups into smaller groups and then targeting those specific groups); and pricing optimization (i.e., dynamically changing prices based on the perceived value of the product/service and/or current market conditions). Customer centricity has been found to lead to competitive advantage and improved business performance (Tuominen et al., 2023; Akbar, 2024). Additionally, marketing innovation provides increased firm value through increased speed and volatility of cash flows. AI is integrated into the development process of marketing

strategy innovation by providing a means to develop greater understanding of the customer and to increase the agility of marketing operations (Manoharan, Ashtikkar, and Nivedha, 2024).

Market Turbulence as Moderator

Market turbulence is defined as the rapidity and unpredictability of changes in the customer, competitor and external markets (Chatterjee, 2023). Research studies have previously demonstrated that environmental turbulence moderates the effect of marketing and innovation capabilities (for example, Subba Narasimha & Erasmus, 2001). Therefore, it is proposed that market turbulence will amplify the positive relationship between AI adoption and marketing strategy innovation since the benefits associated with using AI to make marketing decisions become more apparent during periods of high levels of market turbulence (Marmon, 2025).

Theoretical Framework: Strategic Fit Theory + Dynamic Capabilities Theory

Strategic fit theory proposes that the most effective performance is achieved when there exists congruence between the internal capabilities of a company, its strategy and the external environment (Zhinuk, et al., 2025). In the present study, AI adoption provides a company with internally oriented capabilities that must be aligned with external market requirements (e.g., customer expectations, competitive dynamics) for marketing strategy innovation to occur. Dynamic capabilities theory focuses on a company's ability to identify opportunities/threats and then re-configure its resources to capitalize upon them. AI adoption can be viewed as a mechanism to support dynamic capabilities in marketing: sensing (using data analytics), seizing (using tailored marketing interventions) and transforming (through optimizing pricing and segmentation). Collectively, these two theoretical frameworks offer a conceptual framework to understand how AI adoption (capability) generates marketing strategy innovation (fit) particularly in situations where market turbulence is high (dynamic environment).

From this integration we articulate the following hypotheses:

H1: AI adoption positively influences the innovation of marketing strategies.
H2: The relationship between AI adoption and marketing strategy innovation is strengthened under high market turbulence.

METHODOLOGY

Research Design

Using a scenario-based approach to simulate two levels of turbulence (high and low) and the use of Artificial Intelligence (AI) by companies to develop marketing strategies, a model has been developed to help companies make marketing decisions. Quantitatively based on surveys of marketing directors to test the structural model developed (Walliman, 2021).

Ethical Permissions

Ethical permission was received to undertake the research from the institutions research ethics committee. All survey participants were informed that they would be anonymous with regards to their responses, that participation was voluntary and that they could withdraw at any time (Dubey, and Kothari, 2022).

Participant Selection

Medium-sized to large organizations in various industries were selected for the research, who are responsible for making marketing decisions. The selection criteria were: (a) organizations that have implemented some form of AI within their

marketing decision processes; (b) respondents who can answer questions concerning customer-centricity, personalization, segmentation and price optimization; and (c) respondents who are prepared to participate in the scenario simulation and complete the survey. A total of 50 respondents were involved in this research, which is enough for Structural Equation Modelling.

Scenario Development

Two scenarios were developed for the research: a low-turbulence market and a high-turbulence market. Within both scenarios, respondents were required to consider varying degrees of AI adoption (low and high) and to provide strategic marketing decisions across the sub-dimensions of customer-centricity, personalization, segmentation and pricing optimization. The results of the scenario simulation provided an opportunity to test the moderating effect of market turbulence prior to conducting the full survey.

Conclusion of Scenario Development

Following completion of the scenario simulation, respondents were asked to reflect upon the decisions made in respect of each scenario. Respondents then completed a survey instrument to capture the outcomes of the marketing strategy innovations undertaken. Using this research design provided an opportunity to manipulate directly the independent variable (the degree of AI adoption) and the moderator (the level of market turbulence) in a controlled but quasi-realistic environment.

Setup and Configuration

All items used in the survey instrument were measured using validated scales and measures the degree of AI adoption readiness/degree of adoption, marketing strategy innovation (including its sub-dimensions) and the degree of market turbulence. The measure of market turbulence was taken from Chatterjee (2023) and the variables were measured using Likert Scales. A pre-test and pilot study were undertaken to validate and assess the reliability of all the measurement tools.

Step-by-Step Execution

- The scenario simulation was administered online.
- Respondents were randomly allocated to either the low-turbulence condition or the high-turbulence condition.
- Respondents were required to state their level of AI adoption (self-assessment).
- Upon completion of the scenario simulation, respondents completed the survey instrument to collect information relating to the marketing strategy innovations undertaken.
- Information on demographic and control variables (industry, organization size and marketing budget) were collected.
- Structural Equation Modelling (SEM) was used to analyse the data collected and to test hypotheses 1 and 2, including the interaction term for the moderator.

Data Collection

Survey was conducted through an online survey tool. An e-mail inviting participants to complete the survey provided an explanation of the study's objective, stated that their responses would be kept confidential, and contained the participant agreement. Data cleansing was performed to delete responses that did not contain complete information, and to evaluate for common method variance (Harman's one factor test). Confirmatory factor analysis was employed to validate the measurement model. Following this validation, the structural model was tested through SEM using estimated path coefficients to test hypotheses. A further examination of the interaction effect of market turbulence was evaluated through

a simple slopes analysis. Where appropriate, the model was revised through deletion of low loading items, inclusion of control variables, etc., to increase the model, fit (Saharan, et al., 2024).

Evaluation and Iteration

Model fit of the measurement model was evaluated based upon CFI and RMSEA. Path coefficients representing the hypothesized relationships among the constructs were then evaluated through SEM. The interaction effect of market turbulence was evaluated using a simple slope analysis. Model fit was increased where applicable, i.e. through deletion of low loading items, inclusion of control variables, etc.

RESULTS & DISCUSSION

Support for Hypothesis 1 was found: Firms with greater levels of AI adoption had significantly greater levels of marketing strategy innovation. Additionally, each of the sub-dimensions of customer-centricity, personalization, segmentation, and pricing optimization showed a stronger relationship with innovation outcomes compared to other studies which have shown AI to provide greater opportunities for personalization and data driven marketing (Grewal et al., 2024; Haleem et al., 2022). Support for Hypothesis 2 was also found, showing that the relationship between AI adoption and marketing strategy innovation is greater when there are greater levels of market turbulence. Thus, while it has been argued previously that the "sensing" and "agility" facilitated by AI become more important in times of high market turbulence (Chatterjee, 2023; Subba Narasimha & Erasmus, 2001), these findings suggest that AI can be viewed as a "dynamic capability."

The discussion indicated that AI facilitates the development of customer-centricity by providing insight into the needs of individual customers, thus allowing for the development of precise segmentation and personalization strategies. Similarly, real time data analysis provides for pricing optimization. Further, in highly turbulent environments, it is clear that AI can be utilized to rapidly reconfigure marketing strategy. Therefore, the findings indicate that AI must not only be adopted but utilized to develop dynamic strategic responses to turbulent environmental conditions. These discussions integrated Strategic Fit Theory to demonstrate how AI enables alignment between marketing strategy and environmental turbulence and Dynamic Capabilities Theory to demonstrate how AI facilitates the development of firms' ability to sense, seize and transform through AI.

Practical Implications

The results of this study suggest that companies need to invest in AI technology to create strategic advantage by developing their ability to be agile and to adapt to changes in the market environment; therefore, AI is a tool with which marketers can be innovative through customer centricity, personalization, segmentation, and pricing optimization. Marketing organizations are encouraged to think about AI to develop a new type of dynamic capability, i.e., the ability to do real time data analytics, to coordinate across functions, and to continuously learn. Agility, scenario planning, flexible pricing, and segmenting customers based upon changing needs will also help companies to thrive during periods of turbulence. Javed et al. (2025) also emphasized that while the adoption of AI technology has an impact on organizational performance, it is not sufficient to adopt AI technology; rather, organizational culture, employee training, and process redesign are equally important.

CONCLUSION

The main goal of this research is to examine how firms can utilize artificial intelligence (AI) to create innovative marketing strategies and make better informed decisions about which marketing strategy to develop by utilizing relationship customer data. This research examined the effect of using AI on innovation outcomes based upon Strategic Fit Theory and Dynamic Capability Theory; it also examined how the effect of AI on innovation outcomes was enhanced

in highly turbulent environmental conditions (H2). The methodologies used to assess the conceptual model (i.e., creating scenarios, collecting data, and assessing models) produced an appropriate method for examining the conceptual model. In total, the results of this research demonstrate that AI provides the primary means through which firms can obtain the requisite dynamic capabilities to strategically align themselves with changing market conditions.

RECOMMENDATIONS

• Firms must treat AI as investments in marketing capability by utilizing AI to support technology and the business processes supporting their firm's major decisions (Zhinuk, et al., 2025).

• To develop dynamic capabilities that allow firms to react to changes in the marketplace, marketing departments must establish three competencies —sensing (analysing data), seizing (rapid deployment of campaign strategies), and transforming (adjustments to product/service pricing/segmentation) (Manoharan, Ashtikkar, and Nivedha, 2024).

• Companies can utilize AI to collect customer specific data enabling personalized products/services, and more precise segmentation of customers through these insights.

• Firms can use AI to optimize prices based on real-time information gathered from AI algorithms allowing them to promptly respond to evolving marketplace conditions (Manoharan, Ashtikkar, and Nivedha, 2024).

• A company operating in an extremely turbulent environment will have the greatest success by focusing on agility and adapting to fluctuating market conditions; the authors suggest using techniques such as scenario planning, flexible budgeting for marketing, establishing rapid feedback loops, and fostering collaboration between various functional units within the firm (Marmon, 2025).

• An organization will realize value from implementing AI when its application aligns with the organization's overarching strategy; when strategy and AI implementation do not align there will typically exist a lack of strategic fit between the organization's internal capabilities and the external forces impacting the organization's performance.

• Evaluating performance of innovative marketing strategies will involve monitoring innovation across all dimensions of the marketing strategy and assessing how turbulence impacts each dimension of the innovation process.

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ACKNOWLEDGMENTS

The author (Ali AlGhamdi) would like to express his gratitude to Management & Science University for their invaluable support, guidance, and resources that contributed to the successful completion of this article.