Blessing or Backlash? The Organizational Shift Toward In-House Generative AI Advertising Production in Indonesia

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Abstract: This study examines the organizational shift toward in-house generative AI advertising production in Indonesia. As generative AI enables brands to produce visual assets, synthetic models, advertising copy, and campaign variations internally, traditional production arrangements involving external agencies, production houses, photographers, and model partners are being reconfigured. Guided by the Resource-Based View, Dynamic Capabilities Theory, Transaction Cost Economics, and the Automation–Augmentation Paradox, this study investigates whether this shift represents a strategic blessing or creates organizational and ecosystem backlash. A qualitative multiple-case study design was used, with data collected through semi-structured interviews with 14 informants representing in-house production teams, brand representatives, and external agency or production partners. The data were analyzed using thematic analysis. The findings show that in-house generative AI advertising production provides strategic benefits in terms of speed, cost efficiency, content scalability, personalization, campaign optimization, and creative workflow acceleration. However, the findings also reveal risks related to authenticity fatigue, emotionally weak content, copyright concerns, cultural misalignment, skill gaps, and pressure on external model agencies and production partners. The study concludes that this shift is best understood as selective internalization rather than full replacement. It becomes a blessing when AI augments human creativity and strengthens strategic control, but it becomes a backlash when AI is used merely as a cost-cutting substitute that weakens authenticity, displaces creative ecosystems, or undermines trust.

Keywords: Generative AI, Advertising Production, In-House Production, Selective Internalization, Organizational Change.

Introduction

Artificial intelligence (AI) is increasingly shifting from a support technology to an infrastructure that influences how firms organize, compete, and create value. In marketing, AI is becoming embedded in core decision and production activities, changing how firms design processes and allocate resources (Davenport et al., 2020; Huang & Rust, 2021). Recent advances in generative AI further extend these changes by enabling the production of creative outputs such as text, visuals, and synthetic media at lower cost and faster speed than traditional production methods. This study focuses on the Indonesian advertising context, where brands are starting to experiment with these tools in creative production.

Advertising is a particularly important setting for examining this shift because production has long depended on specialized external partners, including creative agencies, production houses, photographers, and model agencies. These partners contribute creative expertise, cultural sensitivity, and execution capacity, while brands often concentrate on strategy and coordination. Generative AI challenges this established arrangement by enabling firms to produce photorealistic models, scenes, and other creative assets internally. As a result, brands may shorten production cycles, reduce costs, and gain stronger control over iterative creative development and the use of proprietary consumer data. In practical terms, activities that were historically outsourced may increasingly be moved inside the organization.

From a strategic management perspective, the move toward in-house AI-generated advertising models can be understood as capability development rather than simple tool adoption. The Resource-Based View argues that sustainable advantage is rooted in valuable resources that are difficult to imitate, including proprietary data, specialized expertise, and organization-specific routines (Barney, 1991). Dynamic Capabilities Theory emphasizes how firms remain competitive under rapid change by sensing opportunities, seizing them, and reconfiguring internal resources (Teece et al., 1997; Eisenhardt & Martin, 2000). Transaction Cost Economics also provides an explanation for internalization by showing why firms bring activities in-house when market coordination becomes costly or risky (Williamson, 1981). For advertising production, this may include concerns

about dependence on external partners, intellectual property, and brand risk management.

At the same time, internalizing AI-enabled production is likely to generate tensions inside firms and across the broader advertising ecosystem. AI implementation can raise productivity while also challenging established roles and professional identities, which may produce resistance and legitimacy concerns (Raisch & Krakowski, 2021). In advertising, replacing human-centered production with AI-generated models may also introduce reputational risks, stakeholder objections, and friction with external partners who face partial displacement. This creates the central tension in this study, which is the possibility of strategic benefits alongside organizational and market backlash.

This study narrows the investigation to Indonesia, where brands operate under strong pressures for speed, cost efficiency, and culturally resonant creative execution. Generative AI introduces a boundary decision for Indonesian firms, namely whether to continue relying on external creative ecosystems or to internalize AI-enabled production for greater control, coordination, and risk management. However, existing research remains oriented toward customer outcomes and performance optimization, with limited empirical attention to how generative AI reshapes organizational boundaries and production ecosystems at the brand level, particularly in Indonesia. Accordingly, this study examines how Indonesian brands and production actors develop in-house AI-enabled advertising production and how this shift affects creative workflows, governance practices, and relationships with external partners. By focusing on the perspectives of in-house production teams, brand representatives, and external agency or production partners, this study aims to explain both the strategic benefits and the potential backlash associated with AI-enabled internalization. Based on this research gap, the study addresses the following research questions:

RQ1: How do Indonesian brands and in-house production teams organize and govern generative AI-enabled advertising production?

RQ2: What strategic benefits are associated with the shift toward in-house generative AI advertising production?

RQ3: What organizational, ethical, creative, and ecosystem tensions emerge from this shift?

RQ4: Under what conditions does in-house AI advertising production become a blessing or a backlash?

Literature Review

Artificial Intelligence in Marketing and Advertising

Artificial intelligence has moved from being a helpful analytical aid to becoming part of how marketing work is planned, executed, and evaluated. Much of the recent marketing scholarship treats AI as a managerial and strategic issue, not only a technical one. Researchers argue that AI can reshape marketing capabilities and influence how marketing organizations operate, including how decisions are made and how work is coordinated across functions (Davenport et al., 2020; Huang & Rust, 2021).

Even so, the literature suggests that the impact of AI depends on how it is embedded into organizational processes. AI adoption does not automatically improve marketing outcomes if it is treated as a separate tool layer rather than integrated into decision routines and accountability structures. This matters in advertising because outcomes are not driven solely by targeting accuracy. Advertising performance also depends on brand meaning, creative judgment, and trust, all of which are shaped by human interpretation and governance rather than by technology alone (Davenport et al., 2020; Huang & Rust, 2021).

AI is also discussed as an organizational capability that can influence creativity, performance, and managerial decision-making when embedded into firm processes and routines (Mikalef & Gupta, 2021). Recent studies further show that AI is used in online advertising, campaign personalization, consumer engagement, and creative content generation, reinforcing its growing role in reshaping advertising practice (Gujarathi et al., 2023; Danesi, 2024; Patil, 2025; Ramachandran et al., 2025).

Generative AI and the Reconfiguration of Creative Production

Generative AI expands what marketing AI can do. Instead of only helping firms predict outcomes or optimize targeting, it enables them to produce creative materials, including images and synthetic media content. This changes the practical rhythm of advertising work. Creative iteration can become faster, experimentation can increase, and production constraints can be reduced, making advertising production more continuous and responsive (Davenport et al., 2020; Huang & Rust, 2021).

At the same time, generative AI creates managerial challenges that differ from those associated with analytics or automation tools. When AI contributes directly to creative outputs, firms must decide how quality is judged, who is accountable, and how brand standards are enforced. These issues become more sensitive when creative assets involve human imagery, identity cues, or culturally specific symbolism. The question is not only whether generative AI improves productivity, but also whether organizations can govern its use in a way that protects brand legitimacy and maintains creative coherence (Huang & Rust, 2021; Raisch & Krakowski, 2021).

Beyond productivity, generative AI also raises broader concerns regarding creative authorship, governance, transparency, and responsible use, especially when AI systems contribute directly to externally visible outputs (Dwivedi et al., 2023). In agency and communication contexts, it has also been associated with both value creation and potential tensions, including concerns over creative authenticity, professional roles, and the changing relationship between brands and agencies (Kolo et al., 2025).

In-House AI Production as a Strategic Resource

To understand why some brands may choose to build in-house AI-enabled production, RBV is a helpful starting point. Competitive advantage can arise from resources and capabilities that are valuable and difficult for competitors to replicate (Barney, 1991). If AI-enabled advertising production becomes tied to internal know-how, proprietary consumer insight, and embedded routines for creative testing, then in-house production can become more than a cost-saving measure. It may become a capability that improves speed, consistency, and strategic control (Barney, 1991; Teece et al., 1997).

RBV also helps clarify why access to AI tools alone is not likely to be sufficient. Many tools are widely available, and basic usage can be copied. Differentiation is more likely to come from complementary assets such as organizational learning, the quality of internal creative judgment, and the routines that connect data, creative decisions, and campaign results (Barney, 1991; Eisenhardt & Martin, 2000). From this perspective, internalizing AI production can be seen as an attempt to own the system that connects creativity to performance, rather than simply adopting the latest technology.

Dynamic Capabilities and Organizational Reconfiguration

Dynamic capabilities focus on how firms adapt when technologies evolve quickly. This view describes adaptation as an ongoing set of activities, including sensing opportunities, seizing them through investment, and transforming internal resources to sustain performance under change (Teece et al., 1997; Eisenhardt & Martin, 2000). In the context of in-house advertising production, sensing might include recognizing that generative AI changes production economics and brand risk. Seizing might include investing in internal creative infrastructure, training, and governance. Transformation involves reshaping workflows and decision authority so that AI-enabled production becomes a stable organizational practice rather than an isolated experiment (Teece et al., 1997; Eisenhardt & Martin, 2000).

A key point in this literature is that dynamic capabilities become visible through concrete processes such as rapid experimentation, cross-functional coordination, and flexible resource allocation (Eisenhardt & Martin, 2000; Teece et al., 1997). In-house AI production often requires exactly these processes because creative teams, marketing leaders, and technology functions must work together to integrate tools into campaign development. This implies that brands will vary in outcomes not simply because of which AI tools they use, but because of how well they redesign roles, routines, and coordination to support continuous learning and responsible use (Eisenhardt & Martin, 2000; Teece et al., 1997).

Boundary Decisions and Internalization Logic

Transaction Cost Economics provides a strong explanation for why firms shift activities from external partners into the organization. When market-based coordination becomes costly, uncertain, or risky, firms may internalize activities to improve control and reduce dependence (Williamson, 1981). Advertising production can involve repeated revisions, information asymmetry, and confidentiality concerns, as well as coordination across multiple partners. If generative AI makes certain production tasks easier to execute internally, the logic for internalization becomes more compelling, especially when speed and brand control are priorities (Williamson, 1981; Teece et al., 1997).

However, internalization is not free. Bringing production in-house can create internal coordination burdens, new governance requirements, and higher fixed costs related to skill development and infrastructure. In-house AI production also requires policies and oversight to reduce legal, ethical, and reputational risks. Williamson's logic suggests that firms will internalize only when the benefits of control and reduced external uncertainty outweigh the costs of internal coordination and management (Williamson, 1981; Barney, 1991).

The Automation–Augmentation Paradox and the Risk of Backlash

A major reason your framing works is that the literature already points to a built-in tension in AI adoption. The automation–augmentation paradox explains how AI can improve productivity while simultaneously challenging established roles and professional identities (Raisch & Krakowski, 2021). Creative work is especially vulnerable to this tension because value is often linked to human judgment, cultural sensitivity, and professional legitimacy. Even when firms frame AI as supportive, creative teams may still experience a shift in status, authority, and evaluation criteria when AI outputs become central to the workflow (Raisch & Krakowski, 2021; Davenport et al., 2020).

Backlash can also take place outside the firm. When brands internalize production, external agencies and model agencies may perceive disintermediation, which can affect trust and collaboration. In addition, AI-generated human imagery can raise questions about authenticity, transparency, and representation, which can create reputational risks if audiences or stakeholders view the practice as misleading or culturally insensitive. This literature encourages treating backlash as an organizational and institutional issue, because the outcomes depend on governance choices, communication practices, and how firms balance efficiency with legitimacy (Raisch & Krakowski, 2021; Williamson, 1981).

The rise of AI-generated human imagery and virtual influencers further complicates advertising production because brands can now construct human-like promotional figures without relying entirely on human models or traditional influencer arrangements (Sands et al., 2022).

Summary of Research Gap and Positioning in Indonesia

Taken together, the literature provides a strong foundation for examining the shift toward in-house AI-enabled advertising production. Marketing scholarship positions AI as a strategic force that changes how marketing is organized and executed (Davenport et al., 2020; Huang & Rust, 2021). The Resource-Based View explains how internal resources, brand knowledge, creative judgment, consumer data, and production routines can become sources of advantage (Barney, 1991). Dynamic Capabilities Theory explains how firms sense technological opportunities, seize them through investment and experimentation, and transform workflows under rapid technological change (Teece et al., 1997; Eisenhardt & Martin, 2000). Transaction Cost Economics clarifies why firms may internalize certain production activities when external coordination becomes costly, slow, or risky (Williamson, 1981). Finally, the Automation–Augmentation Paradox highlights why AI may simultaneously improve productivity and produce tension by changing roles, identities, and professional boundaries (Raisch & Krakowski, 2021).

Despite this theoretical foundation, limited empirical work has examined how generative AI reshapes advertising production as an organizational and ecosystem phenomenon. Existing studies often emphasize AI in relation to personalization, targeting, consumer engagement, or marketing performance, while less attention has been given to how brands reorganize creative workflows, build in-house production capabilities, govern AI-generated content, and manage changing relationships with external agencies, production houses, and model partners.

This gap is particularly important in Indonesia, where advertising production depends not only on speed and cost efficiency, but also on cultural relevance, emotional connection, local language, trust, and brand legitimacy. By focusing on in-house production teams, brand representatives, and external agency or production partners, this study provides grounded evidence on how AI-enabled advertising production creates both strategic opportunities and backlash risks in the Indonesian advertising ecosystem.

Method

Research Design

This study used a qualitative multiple-case study design to examine how in-house generative AI advertising production is organized, governed, and interpreted within the Indonesian advertising ecosystem. A case study approach was appropriate because the phenomenon involves contemporary organizational change that is closely connected to real-world production practices, stakeholder relationships, and contextual conditions (Yin, 2018). A multiple-case design strengthened the study by allowing comparison across different stakeholder positions, including in-house production teams, brand representatives, and external agency or production partners. This design was also useful for developing theoretical insights from empirical patterns across cases (Eisenhardt, 1989).

Research Context and Unit of Analysis

The study was situated in Indonesia's advertising and brand communication environment, where brands and production actors face increasing pressure to produce content quickly, efficiently, and in culturally relevant ways. The unit of analysis was the AI-enabled advertising production arrangement, with attention to how production activities were internalized, governed, and evaluated by different stakeholders.

The analysis focused on how in-house production teams used AI in creative workflows, how brand representatives assessed AI-enabled advertising production as a strategic marketing capability, and how external agencies or production partners interpreted the consequences of AI-enabled internalization. This unit of analysis allowed the study to examine both organizational change inside firms and ecosystem-level responses outside the firm.

Case Selection

This study used purposive case selection to capture multiple perspectives within the Indonesian AI-enabled advertising production ecosystem. The selected cases consisted of three in-house production organizations, three brand-side organizations, and two external agency or production partner organizations. The in-house production cases, represented by SK, CTN, and IPM, were selected because they were directly involved in AI-supported creative and marketing production workflows. The brand cases, represented by CFN Coffee, EI Fashion, and AST Edutech, were selected because they operate in different sectors and provide insights into how AI-enabled advertising production is evaluated from the brand decision-making perspective. The external agency and production partner cases, represented by MMC and CLY, were included to capture ecosystem-level responses, particularly regarding model replacement, talent displacement, authenticity, and business model adaptation.

This case selection strategy allowed the study to compare how in-house production teams, brand representatives, and external partners interpret the benefits and risks of generative AI advertising production. Rather than treating AI adoption as a simple comparison between AI-using and human-only organizations, this study examined the shift as an ecosystem-level transformation involving internal capability development, production boundary changes, and external partner adaptation.

Participants and Sampling Strategy

Data were collected through semi-structured interviews with 14 informants representing three stakeholder groups in the Indonesian advertising production ecosystem. The first group consisted of in-house production actors, including owners, heads of creative production, videographers, and video producers. These informants were included to capture how generative AI affects creative workflows, production routines, quality control, skill requirements, and internal capability development.

The second group consisted of brand-side informants, including marketing directors, content production

managers, creative leads, and heads of marketing. These informants were included to understand the strategic rationale for AI-enabled advertising production, brand governance, campaign evaluation, personalization, and perceived marketing benefits.

The third group consisted of external agency and production partner informants, including talent management leaders, agency executives, and talent managers. These informants were included to examine ecosystem-level consequences, especially issues related to model replacement, talent displacement, authenticity, collaboration changes, and business model adaptation.

Participants were selected using purposive sampling because they had direct experience with advertising production, brand communication, creative decision-making, or talent and production management. This sampling strategy was appropriate because the study sought information-rich cases and stakeholder perspectives rather than statistical representativeness.

Table 1. Profile of Research Informants

Stakeholder Category	Organization / Case	Informant Position	Initial
In-house Production	SK	Owner/ CEO	Mrs. DT
In-house Production	SK	Head of Creative Production	Mr. AR
In-house Production	SK	Videographer	Mr. TW
In-house Production	CTN	Head of Creative Production	Mr. AJK
In-house Production	CTN	Videographer	Mr. HTR
In-house Production	IPM	Head of Creative and Marketing Production	Mr. STR
In-house Production	IPM	Video Producer	Mrs. TTW
Brand	CFN Coffee	Marketing Director	Mrs. FST
Brand	CFN Coffee	Content Production Manager	Mr. SBA
Brand	EI Fashion	Creative Lead	Mrs. IY
Brand	AST Edutech	Head of Marketing	Mr. MM

External Agency / Production Partner	Agency MMC	Head of Talent Management	Mr. AC
External Agency / Production Partner	Agency CLY	CMO (Chief of Marketing Officer)	Mrs. BS
External Agency / Production Partner	Agency CLY	Talent Manager	Mrs. SBP

Data Collection Procedures

Primary data were generated through semi-structured interviews with informants from in-house production organizations, brand-side organizations, and external agency or production partner organizations. The interviews explored the drivers and consequences of in-house AI-enabled advertising production, with attention to perceived benefits, perceived risks, workflow changes, governance practices, and stakeholder responses.

The interview questions were designed to align with the theoretical lenses used in this study. Resource and capability-related questions examined whether informants perceived in-house AI production as a distinctive capability built on data, expertise, creative judgment, and organizational routines. Dynamic capability-related questions explored how organizations experimented with AI tools, learned from their use, and reconfigured internal resources to integrate AI into creative production. Boundary and internalization questions examined why some production activities were moved in-house, particularly in relation to coordination costs, speed, uncertainty, and brand risk. Backlash-related questions explored internal and external tensions, including changes in professional identity, authenticity concerns, legitimacy issues, and relationships with external partners.

The interview responses were documented and organized according to stakeholder category and organization. To protect confidentiality, all organizations and participants were reported using initials. The documented responses were then used as the main empirical basis for thematic analysis.

Data Analysis

The interview responses were analyzed using thematic analysis (Braun & Clarke, 2006). The analysis began with repeated reading of the documented responses to identify recurring ideas and meaningful patterns across informants. Initial codes were then generated around concepts such as production efficiency, cost reduction, AI-assisted workflow, human-AI collaboration, brand governance, cultural relevance, authenticity risk, copyright concern, skill gaps, and external partner disruption.

After the initial coding stage, related codes were grouped into broader themes. These themes included production acceleration, role transformation, strategic marketing capability, governance and cultural relevance, authenticity backlash, and external ecosystem tension. The analysis first examined patterns within each stakeholder group, including in-house production teams, brand representatives, and external agency or production partners. Cross-stakeholder comparison was then conducted to identify similarities and differences in how each group interpreted the benefits and risks of in-house generative AI advertising production.

Theoretical interpretation was conducted by connecting the emergent themes to the Resource-Based View, Dynamic Capabilities Theory, Transaction Cost Economics, and the Automation–Augmentation Paradox. This process allowed the study to explain not only what changed in advertising production, but also why the shift toward in-house AI production can be interpreted as both a strategic capability-building process and a potential source of organizational and ecosystem backlash.

Trustworthiness and Research Quality

Several strategies were used to strengthen the credibility and dependability of the findings. First, triangulation was achieved by comparing perspectives across three stakeholder groups: in-house production teams, brand representatives, and external agency or production partners. This allowed the study to examine the phenomenon from internal production, brand decision-making, and external ecosystem perspectives.

Second, a consistent interview guide was used across stakeholder groups to improve comparability while still allowing flexibility for informants to explain their specific experiences. Third, an audit trail was maintained by documenting the informant structure, stakeholder categories, coding process, theme development, and analytical interpretation. Fourth, the use of initials for organizations and informants helped protect confidentiality while still allowing the analysis to show how different stakeholder perspectives contributed to the findings. These strategies supported the transparency and trustworthiness of the qualitative findings.

Ethical Considerations

Given the commercial sensitivity of advertising strategy, AI-enabled production practices, and agency-client relationships, ethical precautions were applied throughout the study. Informants were informed about the academic purpose of the research and their participation was treated as voluntary. Confidentiality was protected by reporting organizations and participants using initials rather than full names. This approach allowed the study to present stakeholder perspectives while reducing the risk of exposing commercially sensitive information.

The interview data were used only for academic purposes. Identifiable details, proprietary information, and sensitive business information were excluded from the analysis and final manuscript unless they were already non-confidential or explicitly permitted. These ethical procedures were applied to protect informants, organizations, and external partners involved in the study.

FINDINGS

AI as a Production Accelerator and Cost Efficiency Mechanism

The first major finding shows that in-house generative AI production is strongly associated with operational efficiency, production speed, and cost reduction. Informants from in-house production companies described AI as useful for drafting storyboards, generating visual concepts, producing written content, editing videos, creating captions, and repurposing long-form content into short-form promotional materials.

Mrs. DT from SK perceived that AI could support operational optimization and reduce marketing production costs by approximately 20–40%. Similarly, Mr. STR from IPM explained that AI accelerated content writing, graphic design, and video editing, while Mr. HTR from CTN emphasized that AI was especially useful for high-volume content production. These responses suggest that AI-enabled production is attractive because it allows in-house teams to produce more content with greater speed, lower cost, and higher flexibility.

The efficiency benefit was also visible in video-related production activities. Videographer informants explained that AI helped automate rough cuts, captioning, background removal, audio-video synchronization, and repurposing long-form content into short-form videos for platforms such as TikTok, Reels, and other social media channels. Therefore, AI was not used only at the ideation stage, but across the broader production workflow from pre-production to post-production.

From Human Executor to AI Curator

The second finding indicates that AI did not simply replace creative workers, but transformed how creative roles were performed. Several in-house production informants described AI as a creative assistant, junior partner, or co-worker. Mr. AR from SK described generative AI as a “junior assistant” that helped with brainstorming, creative blocking, mood boards, and storyboards. This suggests that AI was used as an ideation support system, especially when creative teams needed to generate alternative concepts quickly.

The role transformation was also visible in creative leadership and video production. Mr. AJK from CTN explained

that the role of the creative leader had shifted toward becoming an "AI director," where humans guide, select, and refine AI-generated outputs. Similarly, Mr. TW and Mr. HTR explained that videographers increasingly acted as curators and orchestrators of AI-generated material rather than purely manual editors. In this sense, creative workers were not removed from the production process; instead, their roles moved toward directing, filtering, and improving AI-assisted outputs.

This finding shows that in-house AI production changed the meaning of creative work. Repetitive and technical tasks became more automated, while human workers remained important for judgment, taste, cultural interpretation, storytelling, and final creative approval.

In-House AI Production as a Strategic Marketing Capability

The brand-side interviews show that AI-enabled production was not only used for technical efficiency, but also as part of broader strategic marketing capability. Mrs. FST from CFN Coffee explained that AI enabled hyper-personalized promotions by using mobile application and CRM data to understand customer behavior, preferred products, and purchasing patterns. AI was also used to support product visuals, posters, videos, captions, storytelling, and calls to action, allowing the brand to produce more relevant promotional content.

Mr. SBA from CFN Coffee added that AI helped the content team produce promotional materials at scale while reducing creative workload pressure. In his view, AI-supported content production allowed the brand to balance speed, efficiency, and emotional connection with audiences. Meanwhile, Mrs. IY from EI Fashion explained that AI supported virtual modeling, visual concept development, and trend prediction by analyzing social media and e-commerce data. In the edutech context, Mr. MM from AST Edutech described AI as part of the marketing infrastructure because it supported personalized campaigns, customer service, campaign scheduling, email distribution, sentiment analysis, and budget optimization.

These responses show that brand-side informants did not view AI merely as a production shortcut. Instead, AI was interpreted as a tool for improving customer understanding, campaign relevance, marketing responsiveness, and content scalability.

Brand Governance, Human Touch, and Cultural Relevance

The fourth finding highlights the importance of human oversight and brand governance in AI-enabled advertising production. Although AI accelerated production, informants repeatedly emphasized that AI-generated content still needed to be evaluated by humans to ensure brand consistency, emotional relevance, and cultural appropriateness.

Mrs. FST from CFN Coffee noted that AI often struggled to understand local humor, regional language, empathy, and emotional connection. This concern was especially important in the Indonesian context, where promotional content often depends on cultural nuance, informal language, and emotional closeness with consumers. From the in-house production perspective, Mr. AJK from CTN emphasized the need to balance data and "soul," suggesting that AI-generated outputs should not only be technically accurate but also emotionally meaningful and culturally grounded.

Governance concerns also appeared in relation to copyright, bias, and brand consistency. Mr. STR from IPM highlighted the need for strong brand governance to manage the risks of inconsistent visuals, biased outputs, and copyright-related problems. These responses suggest that AI-enabled production requires clear review mechanisms, ethical boundaries, and human approval before outputs are used in official brand communication.

The Backlash Side: Authenticity Fatigue and Generic AI Content

The fifth finding reveals the backlash side of AI-enabled advertising production. Several informants warned that excessive reliance on AI could produce content that feels generic, cold, lifeless, too perfect, or emotionally weak. Mrs. TTW from IPM referred to the risk of "AI slop," where audiences may become tired of excessive AI-generated content that appears repetitive or lacks human depth. This concern suggests that speed and scalability may create a new problem when AI-generated outputs become visually similar and emotionally shallow.

Similar concerns were raised by in-house and brand-side informants. Mr. TW from SK expressed concern that

dependence on AI could reduce creativity, uniqueness, and spontaneity in video production. Mrs. IY from EI Fashion warned that AI-generated visuals may become bland if they are not curated by human creatives. In the fashion context, this risk is especially important because visual identity, emotional appeal, and cultural distinctiveness are central to brand meaning.

These responses show that backlash does not only emerge from job displacement or cost-cutting. It can also emerge from audience perception. When AI-generated advertising content is perceived as inauthentic, culturally insensitive, emotionally weak, or overly standardized, it may weaken brand trust and reduce the symbolic value of advertising. Therefore, the benefits of AI-enabled production depend on whether organizations can balance automation with human creativity, cultural sensitivity, and emotional storytelling.

External Ecosystem Tension and the Redefinition of Talent Agencies

The final finding concerns the impact of in-house AI production on external agencies and model partners. External agency informants perceived AI-generated human-like models as a disruptive force, especially for routine, low-budget, and high-volume commercial projects. Mr. AC from MMC explained that conventional talent agencies may face financial and operational pressure if they fail to adapt, because brands can increasingly produce promotional visuals without repeatedly hiring models, photographers, studios, or production crews.

Mrs. BS from CLY similarly explained that demand for human models had declined in some small-scale commercial projects, particularly for banner ads, social media variations, catalog-style visuals, and other fast-moving digital content. However, she also emphasized that human models remained important for high-trust campaigns, emotionally rich storytelling, and long-term brand value. This suggests that AI replacement is not uniform across all types of advertising production. Instead, AI appears more likely to affect repetitive and standardized content, while human talent remains valuable in campaigns requiring authenticity, empathy, cultural nuance, and emotional connection.

Mrs. SBP from CLY added that the role of human models is shifting from physical appearance toward character, personal branding, story, and emotional interaction with audiences. From this perspective, AI does not eliminate the talent industry completely, but raises the standard for what makes human talent valuable. Agencies are therefore pushed to adapt by offering hybrid AI-human services, protecting digital likeness rights, managing talent authenticity, and repositioning themselves toward higher-value creative and strategic roles.

DISCUSSION

The findings reveal that the internalization of generative AI in advertising production represents more than a technical adoption. It reflects a reconfiguration of strategic boundaries, organizational routines, creative roles, and external ecosystem relationships. This shift involves a complex interplay between capability building, governance decisions, selective internalization, and stakeholder adaptation.

To provide a conceptual bridge between the empirical evidence and the theoretical framework used in this study, Table 2 summarizes how the interview findings relate to the Resource-Based View, Dynamic Capabilities Theory, Transaction Cost Economics, and the Automation–Augmentation Paradox.

Table 2. Linking Interview Findings with the Theoretical Framework

Theoretical Concept	Interview Evidence	Interpretation
Resource-Based View	Brands use AI with CRM data, brand identity, consumer insights, and creative judgment	AI becomes valuable when embedded in firm-specific resources

Theoretical Concept	Interview Evidence	Interpretation
Dynamic Capabilities	Teams redesign workflows, adopt AI tools, repurpose content, and personalize campaigns	AI adoption reflects sensing, seizing, and transforming capabilities
Transaction Cost Economics	AI reduces cost, speeds production, and lowers dependence on external partners	Brands internalize tasks when market coordination becomes costly or slow
Automation–Augmentation Paradox	AI supports creativity but also changes roles, threatens talent work, and creates authenticity concerns	AI is both an augmentation tool and a source of backlash
Brand Governance	Informants emphasize human review, copyright, cultural nuance, and brand consistency	AI requires oversight to avoid reputational and ethical risks
Ecosystem Backlash	Agencies report reduced demand for routine modeling and catalog-type projects	External partners must adapt to hybrid AI-human value creation

The "Blessing" Side: Efficiency, Control, and Capability Building

The findings show that in-house generative AI advertising production functions as a "blessing" when it strengthens production speed, cost efficiency, content scalability, personalization, and campaign responsiveness. However, the strategic value of AI does not come only from the availability of AI tools. Many generative AI tools are accessible to different firms, meaning that the tools themselves are not necessarily rare or difficult to imitate. Instead, their value emerges when they are combined with firm-specific resources such as consumer data, brand knowledge, creative judgment, local cultural understanding, and established production routines.

This interpretation supports the Resource-Based View because in-house AI production becomes valuable when it is embedded in internal capabilities that competitors cannot easily copy. For example, brand-side informants described AI as useful for CRM-based personalization, campaign optimization, visual production, and content variation. These benefits become more strategic when they are connected to brand identity, customer insight, and marketing decision-making rather than used only for technical automation.

The findings also support Dynamic Capabilities Theory. In-house production teams and brand representatives showed evidence of sensing AI-related opportunities, seizing them through tool adoption and workflow experimentation, and transforming creative routines through AI-assisted ideation, editing, localization, and campaign optimization. Therefore, the "blessing" side of generative AI is best understood as a capability-building process, not merely as a cost-saving practice.

The "Backlash" Side: Authenticity, Labor Displacement, and Ecosystem Disruption

At the same time, the findings show that in-house AI production may create backlash at the content, labor, and

ecosystem levels. At the content level, excessive reliance on AI may produce advertising outputs that are perceived as generic, emotionally weak, overly polished, or culturally insensitive. This is important because advertising does not only communicate product information; it also builds symbolic meaning, emotional connection, and trust. When AI-generated content lacks authenticity or cultural nuance, the efficiency gains of AI may be offset by reputational and legitimacy risks.

At the labor level, AI changes the role of creative workers and human models. In-house creative workers may benefit from AI because it reduces repetitive tasks, but they are also required to develop new skills as curators, prompt designers, AI directors, and quality reviewers. Human models and creative professionals may also experience displacement pressure, especially when brands use AI-generated models for routine or low-budget promotional content. This reflects the Automation–Augmentation Paradox because AI can augment human productivity while simultaneously challenging professional identity, role security, and creative authority.

At the ecosystem level, external agencies and model partners face pressure as some production activities become easier to internalize. The findings show that catalog-style visuals, banner ads, social media variations, and other standardized content are more vulnerable to AI substitution. However, human models and external partners remain valuable for campaigns that require trust, emotional depth, cultural sensitivity, and long-term brand value. Therefore, the backlash side of AI does not imply total rejection of AI, but highlights the need for careful governance and hybrid AI-human collaboration.

Internalization Is Selective, Not Total

The findings refine the Transaction Cost Economics argument by showing that in-house AI production does not lead to the complete internalization of advertising production. Instead, internalization appears to be selective. Brands and in-house production teams are more likely to internalize tasks that are repetitive, fast-moving, standardized, and suitable for AI automation, such as social media content variations, simple product visuals, captions, rough video edits, catalog-style materials, and campaign localization.

This selective internalization occurs because AI reduces some of the transaction costs associated with external production, including coordination time, revision cycles, scheduling complexity, and dependence on external availability. When brands can produce certain assets internally with greater speed and control, the logic for bringing those activities in-house becomes stronger.

However, the findings also show that not all production activities are suitable for full internalization. High-stakes campaigns, emotionally sensitive storytelling, culturally nuanced content, brand ambassador work, and trust-building communication still require human creativity, authenticity, and, in some cases, external expertise. Therefore, the shift toward in-house AI production should not be interpreted as the disappearance of external agencies or human talent. Rather, it represents a boundary reconfiguration in which routine and scalable tasks move in-house, while higher-value creative and relational work remains dependent on human and ecosystem collaboration.

Theoretical Contribution

This study contributes to the literature on AI in marketing and advertising by shifting attention from consumer-facing outcomes to organizational production arrangements. While much existing research emphasizes AI in relation to personalization, targeting, and consumer engagement, this study shows how generative AI reshapes production boundaries, creative roles, governance practices, and relationships with external partners.

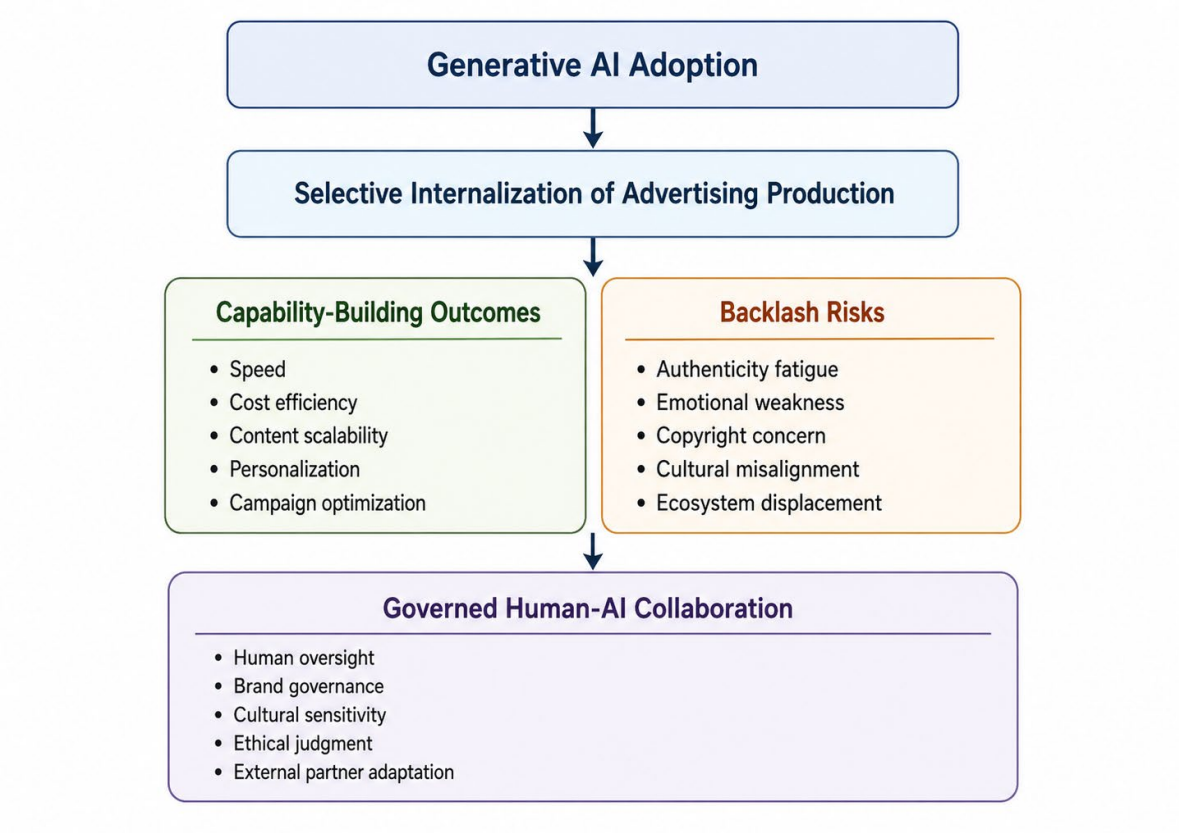
The study also extends the Resource-Based View by showing that AI becomes strategically valuable when it is embedded in firm-specific data, brand knowledge, creative judgment, and production routines. It contributes to Dynamic Capabilities Theory by showing how organizations sense, seize, and transform AI-enabled production opportunities through workflow experimentation, human-AI collaboration, and capability development.

Furthermore, this study refines Transaction Cost Economics by showing that internalization is selective rather than total. Firms internalize repetitive and scalable production tasks when AI reduces coordination costs and increases control, but they continue to rely on human and external partners for emotionally rich, culturally sensitive, and high-trust campaigns. Finally, the study enriches the Automation–Augmentation Paradox by demonstrating how AI simultaneously augments creative productivity and produces backlash through authenticity concerns, role

disruption, and ecosystem displacement.

Based on the findings, Figure 1 summarizes the conceptual model developed in this study. The model shows that generative AI adoption enables the selective internalization of advertising production, which generates both capability-building outcomes and backlash risks. On the one hand, in-house generative AI advertising production strengthens speed, cost efficiency, content scalability, personalization, and campaign optimization. On the other hand, it also creates risks related to authenticity fatigue, emotional weakness, copyright concerns, cultural misalignment, and ecosystem displacement. The figure further highlights that these tensions are best managed through governed human-AI collaboration, in which AI supports speed and scale while human actors remain central for oversight, brand governance, cultural sensitivity, ethical judgment, and external partner adaptation.

Figure 1. Conceptual Model of Selective Internalization in In-House Generative AI Advertising Production



As shown in Figure 1, the organizational shift toward in-house generative AI advertising production is best understood as a dual process: it creates strategic benefits for firms, but it also introduces backlash risks that require careful governance and hybrid human-AI collaboration.

CONCLUSION

This study examined the organizational shift toward in-house generative AI advertising production in Indonesia by drawing on interviews with in-house production teams, brand representatives, and external agency or production partners. The findings show that AI-enabled production creates clear strategic benefits, particularly in terms of speed, cost efficiency, content scalability, personalization, and campaign optimization. These benefits explain why brands and in-house production teams increasingly view AI as an important production capability.

However, the findings also show that the shift is not without consequences. AI-generated advertising may produce authenticity fatigue, emotionally weak content, copyright concerns, and cultural misalignment if it is not governed

carefully. In addition, external agencies and model partners experience pressure as routine and low-budget production work becomes easier to internalize through AI. Therefore, the shift toward in-house AI advertising production is best understood as a dual process: it is a blessing when AI augments human creativity and strengthens strategic control, but it becomes a backlash when AI is used merely as a cost-cutting substitute that weakens authenticity, displaces creative ecosystems, or undermines trust.

The study concludes that the future of advertising production in Indonesia is unlikely to be fully AI-driven or fully human-only. Instead, the emerging model is hybrid: AI accelerates technical execution and content variation, while humans remain central for strategy, emotional meaning, cultural sensitivity, ethical judgment, and brand legitimacy.

Academically, this study contributes to the understanding of generative AI in marketing by showing that AI-enabled advertising production is not only a technological innovation, but also an organizational boundary decision that affects capabilities, governance, creative labor, and ecosystem relationships.

Managerial Implications

The findings offer several managerial implications for brands, in-house production teams, and external agency partners. First, brands should treat generative AI as a strategic capability rather than merely a cost-cutting tool. AI can accelerate production and improve personalization, but its value depends on how well it is integrated with brand knowledge, consumer insights, and creative judgment.

Second, firms should develop clear governance mechanisms for AI-generated advertising, including human review, brand consistency checks, copyright awareness, and ethical guidelines for the use of synthetic models or visuals. This is important because the efficiency of AI can create reputational risks if the outputs are perceived as misleading, culturally insensitive, or emotionally weak.

Third, in-house production teams should invest in AI fluency while maintaining human strengths in storytelling, cultural sensitivity, emotional interpretation, and creative direction. The role of creative workers should not be reduced to technical execution; instead, they should be developed as curators, directors, and strategic interpreters of AI-generated outputs.

Fourth, external agencies and model partners should adapt toward hybrid AI-human services. Rather than relying only on conventional talent provision, agencies may reposition themselves through AI-assisted production, digital likeness protection, authenticity management, creative consulting, and high-value campaigns that require emotional depth and human trust.

Therefore, the main recommendation of this study is not to reject or fully embrace AI, but to govern it carefully as part of a hybrid creative production system where technology enhances speed and scale, while humans preserve authenticity, ethics, and strategic meaning.

Limitations and Future Research

This study has several limitations. First, the research used a qualitative multiple-case approach involving selected informants from in-house production companies, brand-side organizations, and external agencies or production partners. Although this design provided rich contextual insights, the findings are not intended for statistical generalization to all advertising production actors in Indonesia. Instead, the value of the study lies in its ability to explain how different stakeholders interpret the organizational and ecosystem consequences of in-house generative AI advertising production.

Second, the study focused on organizational and industry stakeholders, while the consumer perspective was not directly examined. As a result, the study explains how practitioners interpret the benefits, risks, and tensions of AI-generated advertising, but it does not measure how consumers actually respond to AI-generated models, AI-created visuals, or synthetic advertising content. This is important because consumer perception may determine whether AI-enabled advertising is accepted as innovative or rejected as inauthentic.

Third, the study relied primarily on interview-based data. Although the interviews provided valuable insights into

production workflows, brand governance, role transformation, and ecosystem tensions, future research could strengthen the findings by incorporating additional data sources such as campaign performance metrics, consumer response data, internal AI policy documents, advertising content samples, and comparative analysis of AI-generated and human-produced advertisements.

Fourth, the study was situated in the Indonesian advertising context, which has specific cultural, market, and technological characteristics. Therefore, the findings may differ in other ASEAN countries or markets with different levels of AI adoption, regulatory development, consumer awareness, and creative industry structure.

Future research could extend this study in several directions. First, experimental or survey-based studies could compare consumer responses toward AI-generated models and human models by examining perceived authenticity, brand trust, emotional connection, brand attitude, purchase intention, and consumer engagement. Second, future studies could investigate the legal and ethical governance of synthetic advertising models, particularly regarding disclosure, likeness protection, consent, copyright, and the use of human images or voices in AI training. Third, future research could examine how external agencies, model agencies, photographers, stylists, and creative freelancers adapt their business models in response to the rise of in-house AI production. Finally, comparative research across ASEAN countries would be valuable to understand whether the blessing-versus-backlash tension appears similarly across different cultural, regulatory, and institutional contexts.

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