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Refining Digital Marketing: The AI Advantage for SME in the UAE

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ABSTRACT

The aim of this study is to develop a conceptual framework that correlates digital marketing performance, responsive market performance, customer trust in Small and Medium Enterprise (SME) domain. Quantitative methodology was applied to validate the proposed conceptual framework. Questionnaire was used to collect data from a sample of 614 managers of SMEs in the provinces of United Arab Emirates (UAE). Simple random sampling technique was applied in the survey procedure. Data analysis is based on Structural Equation Modeling (SEM). The results showed the validity of the proposed framework. The outcome integrates AI applications and responsive market orientation to foster digital marketing performance through the mediating role of customer trust. This result offering a novel contribution to the literature that highlights significant role of technology in developing the performance of SMEs in the market. In addition, the study expands the application of Social Exchange Theory (SET) by introducing trust as a relational asset that amplifies the value of technological and strategic resources. By situating these frameworks within the specific socio-economic and cultural landscape of the UAE

Keywords: AI, Digital Marketing Performance, Responsive Market Performance, Customer Trust.

1. Introduction

Today, artificial intelligence (AI) is a cutting-edge breakthrough technology utilized in digital marketing to improve connections between businesses and consumers. AI enhances the effectiveness of company-user interactions in the digital arena, hence improving marketing performance. With the advancement of AI applications, numerous AI solutions have been reported to enable flexible data processing and the selection of the best models for specific digital marketing operations (Ponomarenko, 2024). In this regard, AI may improve the success, personalization, and efficiency of digital marketing, especially for small and medium-sized firms (SMEs). These solutions provide digital marketers in the SME area with valuable insights into

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data analysis, prediction, personalization, automation, and customer preferences, leading to improved trust in the business and its goods (Efendioğlu, 2023). Furthermore, research shows that responsive market orientation is a key aspect in increasing digital marketing effectiveness (Wongsansukcharoen, 2022; Aslam et al., 2025). Understanding the needs and preferences of their target audience enables SEMs to tailor their marketing efforts to better appeal to them. SMEs face challenges from time to time due to limited resources. As a result, a lack of resources and expertise usually precludes SMEs from effectively implementing responsive market orientation strategies (Diadonet & Diaz-Villavicencio, 2020). Furthermore, the market's rapid pace may make it difficult for SMEs to keep up with changing client tastes and trends (Koporcic et al., 2025), and small businesses, in particular, have struggled with the evolving competitive landscape (Biginas & Koumproglou, 2022). To overcome these issues, responsive market orientation is a viable approach. This may result in missed opportunities and reduced competitiveness for SMEs. To cope with the many global challenges that SMEs face, they must devise survival plans and strategic approaches. Nowadays, SMEs are encouraged to make choices based on data, to adopt agile processes to adapt and be adaptable, and to invest in digital talent development in order to improve their digital market performance. Some researchers highlighted crucial difficulties that businesses must address in order to properly deploy and reap the benefits of AI-powered digital marketing transformation (Hussain et al., 2023). As a consequence, this study adds to the body of information on how these elements are connected by giving critical insights and assistance to SMEs beginning on the road of digital marketing transformation through the use of AI. As a result, the goal of this research is to explore the influence of AI applications and responsive market orientation on the digital marketing performance of SMEs in the UAE.

2. The Issues of AI in Marketing SMES Business

Although AI has the ability to alter digital marketing and open up new opportunities for marketers, there are several crucial challenges to consider when employing AI. For example, data silos develop when data is housed in distinct systems but not integrated, resulting in a fragmented view of the client. This can have an effect on the precision of customer segmentation and personalization activities, as well as prediction accuracy. Because AI algorithms rely on the data they receive, there is a risk that they will make errors or offer irrelevant information. erroneous or biased data may yield erroneous results. This may lead to a terrible consumer experience and a loss of faith in the brand. To mitigate this risk, marketers must train their AI algorithms with high-quality data and audit and update them on a regular basis. Other challenges include technology limitations, since AI systems can be computationally intensive. They need a vast amount of data and computer resources, making them challenging to implement and scale in practice (Velev & Zlateva, 2023). In this regard, AI algorithms may be difficult to read and

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comprehend, making it challenging for marketers to make informed decisions. These challenges considerably restrict the implementation of AI in SMEs' business strategies. In terms of digital marketing, SMEs in the UAE usually face financial and resource constraints, making it difficult to fund comprehensive digital campaigns or acquire access to advanced marketing technology such as AI and big data in the digital age. Barriers and drivers of digital transformation in SMEs have been noted, such as SMEs' low technical capabilities and a lack of experience, which may restrict the adoption of emerging digital platforms (Omowole et al., 2024). In other words, while SMEs in the UAE recognize the importance of digital marketing in staying competitive in today's market, they confront challenges owing to insufficient resources and experience. Without the necessary technical skills and knowledge, SMEs may struggle to effectively use digital tools and platforms to reach their target audience and achieve their marketing goals. As a result, many SMEs in the UAE may be overlooking the advantages of digital marketing for growth and success in the digital era.

In conclusion, the literature review reveals a significant gap in understanding how AI applications are employed in businesses for digital marketing, highlighting the necessity for a more in-depth analysis of their specific applications and quantitative effect. While AI-powered tools and algorithms have the potential to alter digital marketing by boosting customisation, predictive analytics, and customer contact, their real effectiveness in achieving marketing objectives remains uncertain, necessitating empirical validation. Notably, SMEs in the UAE face various challenges when implementing AI in their digital marketing operations. These challenges range from technology barriers, such as a lack of advanced AI infrastructure and technical expertise, to resource restrictions, such as budget constraints and the high costs associated with AI adoption. For example, the Mohammed Bin Rashid School of Government Report (2023) indicates that, while AI applications show great potential for improving marketing strategies (Mohasses, 2019), there is no empirical data to support their real contributions to digital marketing success. Without a comprehensive assessment of how AI might improve marketing efficiency, consumer targeting, and brand positioning, firms may struggle to justify AI investments or effectively incorporate AI-driven solutions into their marketing processes. However, little research has been conducted on how these organizational abilities interact with AI-powered marketing approaches to improve digital marketing performance. Understanding this dynamic is critical for SMEs looking to improve their market competitiveness, client retention, and overall business growth via AI-enabled marketing innovations. Addressing these research gaps is critical for improving AI-driven digital marketing strategies for SMEs, overcoming implementation challenges, guaranteeing optimal resource allocation, and enhancing SMEs' technological and strategic skills in the UAE. As a result, the key research issue is to explore the interplay between AI applications, responsive market orientation, and digital marketing success.

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3. Literature Review

3.1 Artificial Intelligence (AI)

The phrase artificial intelligence was first used in public during a 1956 workshop at Dartmouth College in the United States. Since then, academics from several academic fields have contributed to the field of AI. Business researchers looked at how AI might affect customers, businesses, and stakeholders in the business sector. AI provides important services to the corporate sector by freeing up employees' time to focus on higher-value tasks. AI applications are currently utilized to handle time-consuming repetitive operations, manage massive volumes of data, and execute tasks that people may make mistakes on. AI offers unique marketing options. In digital marketing, AI apps are sophisticated technologies that analyze vast volumes of data to detect possible fraud or security problems and improve marketing strategies. These tools help businesses protect client data, ensure secure transactions, and adapt to emerging technology like voice search and smart gadgets. According to Efendioğlu (2023), AI may provide marketers with a competitive advantage, increase productivity, and improve consumer experiences, while also addressing data privacy and ethical concerns. Companies may use AI to identify customer trends by identifying patterns and making new connections in data. Furthermore, AI offers a distinctive client experience. Today, it is widely used in sales. According to statistical evidence, firms using AI may improve revenue by 50%. AI decreases reaction time, boosts productivity, and significantly cuts costs (Sadat, 2023).

The origins of AI in marketing may be traced back to the turn of the millennium, when early machine learning systems were utilized to assess manually collected data and automate some marketing operations. With technical improvements, notably at the beginning of the second decade of the twenty-first century, and the widespread use of social media and digital approaches, the marketing process underwent a quick shift toward digital technology (Arora & Faisal, 2022). This transformation was accompanied by the rise of big data, which is distinguished by its volume, diversity, and renewable sources. This data was mostly gathered through interactions with digital communication platforms, notably social media sites. As a result of this shift, the use of AI technology in marketing has progressed from a luxury to a necessity. Marketing experts and analysts attempted to determine the best approach to deal with this abundance of data. Marketing specialists intended to use this massive amount of data to gain deeper and more informed insights into client behavior and the factors that attract them (Kaponis & Maragoudakis, 2022). In this regard, Oswal et al. (2021) said that AI applications encompass a wide range of approaches that may be taught and learned from massive amounts of data in order to create applications that are more efficient at their tasks and more accurate in their predictions. Similarly, Oh et al. (2023) described AI applications as AI-enabled techniques and protocols for addressing specific challenges, combining human expertise with deep learning AI

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to enable intelligent detection and identification. Artificial intelligence provides sophisticated monitoring and decision-making. Sun and Yin (2020) categorize AI applications into four types: comprehensive, neural network-based, statistical, and tree-based.

3.2 Responsive Market Orientation

Responsive market orientation refers to a company's ability to quickly respond to market developments in order to meet its customers' wants and preferences (Vellina, 2024). This technique comprises actively listening to client feedback, monitoring market developments, and adapting strategy and tactics accordingly. Companies that adapt to the constantly changing market landscape can stay ahead of the competition and maintain a strong market position (Gul et al., 2021). This customer-centric strategy is crucial for building long-term relationships with customers and increasing business success. Finally, a responsive market orientation allows organizations to not only meet present customer expectations but also anticipate future demand. This proactive method can increase client satisfaction, loyalty, and retention. Companies may stay relevant and profitable in today's shifting business environment by continually adapting and creating in response to market feedback (Iyer et al., 2021). Finally, a responsive market orientation is essential for long-term success and growth in the marketplace. For example, a company that consistently listens to consumer feedback and adjusts its products or services may attract new customers while maintaining existing ones. This customer-centric strategy can lead to increased sales and profitability over time, as satisfied customers are more likely to suggest others and do business with the company (Taghvaee & Talebi, 2023).

Responsive market orientation is a strategy that involves actively listening to consumer demands and preferences and quickly altering products or services to meet them (Yang & Zheng, 2022). Companies may stay ahead of the competition and retain a loyal customer base by staying up to speed on industry trends and feedback. This proactive technique not only helps organizations uncover new development opportunities, but it also enables them to respond to any hurdles or dangers in a timely manner. Finally, in today's fast-paced business environment, a responsive market orientation may assist organizations in developing a strong reputation, fostering client loyalty, and driving long-term success. Companies that routinely examine customer requirements and preferences can tailor their offerings to meet the shifting expectations of their target audience. Şahin and Sığrı (2022) found that a customer-centric strategy boosts brand loyalty, retention rates, and consumer happiness. Furthermore, by responding to market developments and customer feedback, businesses may position themselves to capitalise on emerging trends and achieve a competitive advantage in the marketplace. Finally, a proactive market orientation is essential for companies seeking long-term growth and success in an increasingly dynamic and competitive business environment (Narula et al., 2023). In the context of SMEs, responsive market orientation refers to the ability of small and medium-sized

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businesses to quickly adapt to market changes in order to meet customer desires and demands (Ali et al., 2020). This includes the capacity to identify new trends, assess customer preferences, and respond promptly with innovative products or services. SMEs with a responsive market orientation take a proactive approach to market developments, always seeking input from consumers and rivals to stay ahead of the curve. In today's fast-paced business environment, SMEs must be nimble and adaptive to be competitive. By frequently monitoring the market, SMEs may effectively foresee changes in client behavior and adjust their strategies accordingly. This proactive strategy not only helps to maintain existing consumers, but also attract new ones by providing innovative and specialized solutions. Finally, SMEs that prioritize market orientation are better prepared to flourish and expand in an ever-changing business context (Alnawas & Abu Farha, 2020).

3.3 Digital Marketing Performance

Over the last decade, digital marketing has grown as a recognized specialty, with direct marketing at its center. Because of the widespread usage of mobile devices, brand marketers have more direct and indirect connections with the customers they want to serve (Yuvaraj & Indumathi, 2018). With the growing integration of digital platforms into businesses, digital marketing is becoming an essential element of everyday life. In today's competitive market, exceptional experiences are more desired and valued than ever before. In today's culture, it is a common and effective method of selling goods or services. Digital marketing is widely described as the promotion of products and/or services using digital technology such as mobile phones, display advertising, electronic devices, and other digital media. In other terms, it refers to the many marketing strategies used by firms to connect with their clients using digital technology. Technological improvements have led to an increase in digital marketing methods such as SEO, SEM, content marketing, influencer marketing, and social media marketing. These tactics encourage word-of-mouth advertising by enabling customers to access information at any time and from any location. As a result, superior items sell better and raise more awareness than inferior products since buyers can quickly access media and read evaluations from friends and colleagues (Archana, 2019).

Digital marketing is the practice of advertising products and services via digital technologies such as the Internet, mobile devices, display advertisements, and other digital media. The rise of digital marketing in the 1990s and 2000s transformed how businesses and brands used technology to promote. People are increasingly using digital gadgets instead of physical companies, and digital platforms are being integrated into marketing plans and daily life (Desai, 2019). Digital marketing is the promotion of different products and services via digital technology and the Internet, such as tablets, smartphones, laptops, and other digital media. Because of the digital marketing concept, firms use these platforms to offer their goods and

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services. Because digital media is so widely used in today's culture, customers may easily obtain all important information on products and services at any time and from any location. Many firms utilize it to offer items and services via digital distribution channels (Madan, 2021). Based on the preceding, we may infer that digital marketing, as described by AI applications, is the use of cutting-edge technology to promote organizations, products, and services using digital platforms such as websites, mobile apps, social media accounts, and search engines. To develop marketing plans, choices must be automated based on data collecting, analysis, and economic trends.

3.4 Customer Trust

Customer trust can be defined as the belief or confidence that a customer has in a company or brand to deliver on their promises and provide a consistent and satisfactory experience. It is built through positive interactions, reliable products or services, and transparent communication. Building and maintaining customer trust is crucial for businesses to retain loyal customers and attract new ones (Ginting & Evyanto, 2025). It requires consistent effort and a commitment to delivering on expectations and resolving any issues that may arise. Trust is the foundation of a strong customer-business relationship and can greatly impact a company's reputation and success. Without trust, customers may be hesitant to continue doing business with a company or recommend it to others (Alam et al., 2021). By consistently meeting or exceeding expectations, businesses can foster a sense of trust that encourages repeat business and positive word-of-mouth advertising. In today's competitive market, companies that prioritize building and maintaining customer trust are more likely to succeed in the long run. Trust is not easily earned, but with dedication and a customer-centric approach, businesses can cultivate strong and lasting relationships with their customers (Hossain et al., 2024).

Albarq (2023) highlighted that customer trust refers to customers' faith in an organization's capacity to meet their demands and expectations. Trust is the belief in the intentions of another within a partnership, which allows the two sides to resolve power conflicts and low profitability (Oluwajana et al., 2022). Trust is defined as an individual or organization’s readiness to be vulnerable to another party in exchange for favorable expectations of their actions. The necessity of trust in cloud computing has been repeatedly emphasized due to the lack of transparency surrounding cloud offers and customers' inability to properly audit cloud services. As a result, policymakers, academic experts, and industry practitioners alike have turned their attention to finding strategies to overcome this obstacle to adoption (Van Der Werff et al., 2019).

There is a significant trust concept explanation through literature. In addition, the researcher seeks to further elaborate the definition of trust in order to enhance the awareness of trust. Accordingly, the researcher will rely on this literature to explain how researchers define trust.

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According to the relationship marketing literature, trust also known as "confident positive expectations regarding another's conduct" is a critical instrument for establishing good behavioral intentions including loyalty and repurchase intention (Roberts-Lombard & Petzer, 2021). Trust is a condition in which a trustor relies on the actions of a trustee and expects the trustee to perform as expected. Trustors initially have varying levels of expectations of trustees; they gradually establish trust beliefs via social exchanges and then judge whether they can rely on a trustee (Zhang & Li, 2019). Organizations use trust to achieve great results in their business-to-consumer connections. Corporate social responsibility can help in identifying a brand's values and attributes. They conclude that trust has a substantial relationship with brand appeal and meeting individual demands. By evaluating this claim, corporate social responsibility can serve to produce feelings that build consumer trust, thereby making the brand more appealing (Haider, 2023).

Moreover, trust generally refers to an expectation that the trustee will keep promises and fulfill obligations. In consumer literature, trust in a company is defined as individuals' assumption that the company will meet their expectations. This belief, as a collection of cumulative presumptions about the company, is determined by a variety of circumstances (Zasuwa, 2019). When establishing enduring customer connections, trust is crucial. Because there are procedures in place to shield clients against opportunistic behavior, it also fosters a sense of loyalty to the organization. In both established and emerging economies, trust has been thoroughly examined in the literature as a factor that creates sustainable, long-term economic relationships between service providers and their clients. The criteria used to measure trust included dependability, need satisfaction, honesty, and trustworthiness, which reflected both credibility and altruistic trust. The term "benevolence trust" describes the ability of service providers to perform services in a fair, dependable, and honest manner. Credibility trust is based on the service providers' moral character and capacity to offer clients excellent service (Roberts-Lombard & Petzer, 2021).

3.5 Theoretical Background

The Social Exchange Theory (SET) is a well-regarded framework for comprehending conduct in the workplace. A very widespread occurrence permeates all aspects of our everyday existence. Not only do we exchange with our organizations, but we also subtly interact with our family, friends, and relatives (Ahmad et al., 2023). This theory investigated the relationship in the workplace regarding two aspects: (a) the features of the new workplace; and (b) The features of contemporary human labor in general, encompassing knowledge workers, freelancers, and those conventionally employed within the company (Chernyak-Hai & Rabenu, 2018). Although SET seems to have originated at the start of the 20th century, George Homans, Peter Blau, and Richard M. Emerson made its current version famous in the 1970s. Since then, it has developed

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into one of the most significant conceptual frameworks in organizational behavior (Ohemeng et al., 2020).

A customer's perceptions about specific characteristics of a supplier and their potential future behavior are referred to as their trust. Most commercial sectors are being greatly impacted by the growth of business-customer relationships over the Internet. The theory of trust-commitment states that commitment in a particular relationship can result from trust. According to SET, a tourism business's most valuable asset is trust. The cornerstone of interpersonal interactions and the foundation of social transactions is trust. Unprecedented chances for social interactions in informational environments have been made possible by the use of information and communication technology (Nasrolahi Vosta & Jalilvand, 2023).

Based on the above, the researcher relied on Human-Machine Interface (HMI) theory, which is important for digital marketing since it clarifies how people engage with AI-driven technologies. HMI theory is concerned with how AI systems interact with human sensory and cognitive processes, which is crucial for developing individualized and trustworthy experiences. In order for AI systems to successfully engage users, satisfy their demands, and build trust all essential components of successful digital marketing strategies in the United Arab Emirates they must be aligned.

SET is a useful framework for understanding the dynamics of customer trust in small and medium-sized enterprises (SMEs) that utilize AI technology. This theory posits that individuals engage in relationships and interactions with others based on the expectation of receiving benefits in return. In the context of SMEs using AI, customers may trust these businesses more if they perceive that the use of AI technology enhances the quality of products or services, improves the efficiency of transactions, or provides personalized and tailored experiences. By analyzing the principles of SET in relation to customer trust in SMEs utilizing AI, we can gain insights into how businesses can effectively build and maintain trust with their customer base. This understanding can help SMEs develop strategies to effectively communicate the benefits of AI technology to their customers, thus increasing trust and loyalty. By focusing on creating value and delivering positive outcomes through the use of AI, SMEs can establish themselves as reliable and trustworthy partners in the eyes of their customers. Ultimately, building trust through the use of AI can lead to long-lasting relationships and increased customer satisfaction, helping SMEs to achieve sustainable growth and success in the competitive business landscape. For example, a small e-commerce company can use AI technology to personalize product recommendations for each customer based on their browsing history and purchase behavior. This not only enhances the customer shopping experience but also increases the likelihood of repeat purchases and customer loyalty.

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4. Framework Development

Artificial Intelligence (AI) applications have revolutionized digital marketing practices by equipping businesses with advanced tools to analyze consumer data, personalize experiences, and automate marketing processes (Arce et al., 2024). Through AI, organizations can enhance efficiency and precision in marketing strategies, allowing for real-time data analysis, adaptive targeting, and cost-effective advertising (Suleiman et al., 2021; Shanmugam et al., 2023). However, scholarly debate persists regarding the extent to which AI enhances or potentially undermines digital marketing performance (Abrokwah-Larbi & Awuku-Larbi, 2024). While some scholars argue that AI enables superior decision-making and performance outcomes, others raise concerns over excessive automation, ethical dilemmas, and reduced human interaction (Gołąb-Andrzejak, 2023). Therefore, the impact of AI on digital marketing largely depends on how firms balance technological integration with human-centric engagement (Singh & Ahmed, 2024). Firms that effectively combine AI-driven analytics with personalized communication are more likely to achieve sustainable competitive advantage and improved marketing outcomes (Umamaheswari, 2024).

For small and medium-sized enterprises (SMEs), AI applications present unique opportunities to enhance digital marketing performance despite resource limitations. AI's capability to process and interpret large datasets enables SMEs to derive actionable insights into consumer behavior, preferences, and market trends (Singh & Ahmed, 2024). This empowers SMEs to craft targeted, data-driven marketing campaigns while automating repetitive tasks to focus on creativity and strategic planning (Enshassi et al., 2024). Moreover, AI helps optimize marketing expenditure by identifying the most effective promotional channels, thereby increasing profitability and operational efficiency. As a result, SMEs that strategically adopt AI technologies can achieve higher customer engagement, increased brand visibility, and improved overall marketing performance (Pereira et al., 2023). In the dynamic digital landscape, the integration of AI is thus essential for SMEs to remain competitive, agile, and responsive to evolving market demands.

A key dimension influencing digital marketing performance is responsive market orientation, which reflects an organization's ability to continuously monitor and adapt to customer needs and market changes (Petzold et al., 2019). A responsive market orientation enables firms to develop timely, customer-centered strategies that foster satisfaction, loyalty, and brand trust. By employing data analytics and consumer insights, businesses can better understand market dynamics and rapidly adjust their digital marketing efforts (Lamore et al., 2013; Sharma et al., 2023). For SMEs, this approach is especially vital as it allows them to compete effectively with larger firms through agility and customer intimacy (Tan & Liu, 2014; Lailin & Praswati, 2023). Companies that prioritize responsiveness and consumer engagement can achieve higher conversion rates, stronger customer relationships, and sustainable business growth (Abdul-Talib

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& Abd-Razak, 2020; Narula et al., 2023). In essence, maintaining a responsive market orientation ensures that SMEs remain adaptive, relevant, and customer-focused in a rapidly evolving digital marketplace.

Building upon these empirical insights, the present study introduces a conceptual framework integrating SET (SET) and Human-Machine Interface (HMI) Theory to explain how AI applications influence digital marketing performance through two key mediators: customer trust and responsive market orientation. SET underscores the role of reciprocal relationships and perceived value in fostering customer trust. When AI applications deliver personalized, transparent, and convenient experiences, customers perceive higher value and develop trust in the brand, ultimately enhancing their engagement and loyalty. Trust, therefore, acts as the emotional foundation linking AI-driven experiences to marketing effectiveness. Conversely, HMI Theory focuses on how seamless human-AI interactions enhance organizational responsiveness by improving real-time market sensing, predictive analytics, and adaptive decision-making. This theory highlights how user-friendly AI tools enable firms especially SMEs to interpret data efficiently, predict trends, and tailor marketing strategies without requiring deep technical expertise.

The integration of these two theoretical perspectives offers a comprehensive understanding of AI's role in digital marketing. Through the lens of SET, AI-driven personalization enhances trust and relational value between consumers and brands, while HMI Theory explains how AI facilitates responsiveness and agility within marketing operations. The interplay between these constructs forms a synergistic mechanism: customer trust strengthens the acceptance of AI-enabled marketing, while responsive market orientation translates trust and insights into tangible performance outcomes. This multidimensional framework not only emphasizes AI's technological benefits but also situates them within psychological and behavioral contexts, bridging the gap between machine intelligence and human values.

In the context of SMEs, this theoretical integration provides critical implications. Many SMEs face financial, technical, and human resource constraints, limiting their ability to deploy and sustain AI-driven marketing initiatives. However, by leveraging AI tools that enhance customer trust and market responsiveness, SMEs can offset these limitations and compete effectively in digital environments. The framework highlights that sustainable digital marketing performance arises not merely from adopting AI technologies, but from embedding them within a trust-based, market-oriented strategy that aligns technological efficiency with customer-centric values. Thus, SMEs that cultivate trust through AI-enabled personalization and maintain responsiveness to customer feedback can enhance their brand credibility, customer loyalty, and overall marketing performance (Pereira et al., 2023).

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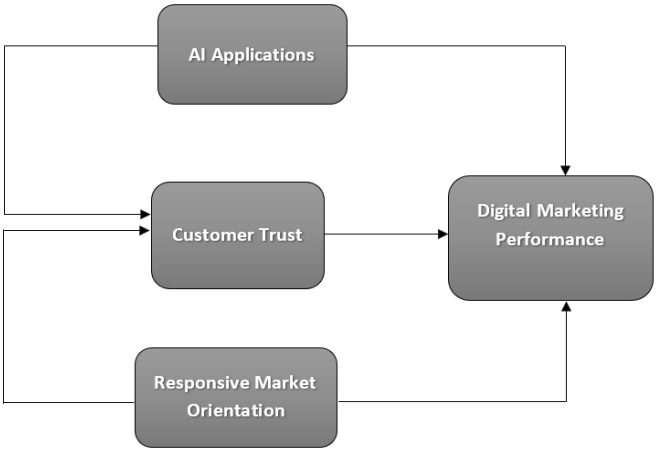
In conclusion, AI applications serve as a transformative force in digital marketing, particularly for SMEs seeking to enhance competitiveness and performance. When supported by customer trust and responsive market orientation, AI becomes not only a technological asset but also a strategic enabler of long-term customer relationships and market adaptability. The proposed conceptual framework anchored in SET and Human-Machine Interface Theory provides a novel lens through which to understand the dual role of AI in fostering emotional trust and operational agility. Ultimately, the effective integration of AI, trust, and market orientation can empower SMEs to achieve superior digital marketing performance in an increasingly intelligent and dynamic business environment. The following Figure-1 shows the proposed framework that links AI applications and responsive market orientation (independent variables), customer trust (mediator), and digital marketing performance (dependent variable).

Figure-1: AI-Based digital marketing conceptual framework for SMEs in UAE



5. Research Methodology

This study applied quantitative methods to analyze the effects of AI applications and responsive market orientation on digital marketing performance. The population of this research includes the executive managers, sales managers, and general manager of SMEs in three major provinces in the UAE, specifically Dubai, Abu Dhabi, and Al-Sharjah. Data instrument is self-administrated questionnaire. The data collection has been conducted on a sample of 614 respondents. Simple random sampling technique has been applied in the survey procedure. SPSS software is deployed to conduct data analysis. SEM is principal approach used to conduct data analysis and test the hypothesis of this study.

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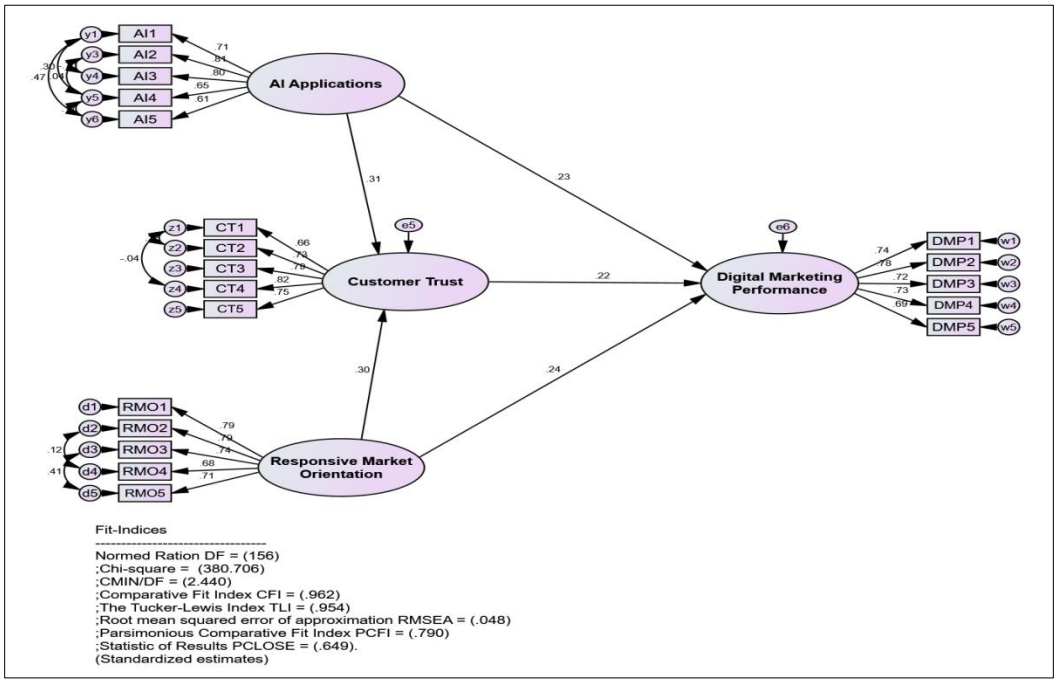
6. Framework Analysis

The validated framework that examines the relationships among AI Applications, responsive market orientation, customer trust, and digital marketing performance within UAE SMEs is shown in Figure-2. This framework, derived from structural equation modeling (SEM), depicts how these constructs interact. The model likely includes direct paths from constructs, as well as indirect paths through customer trust, reflecting a framework where technology and market responsiveness enhance marketing outcomes both directly and via trust. The fit indices provided PCLOSE = 0.649 (non-significant, indicating good fit), RMSEA = 0.048 (≤ 0.08, excellent fit), CMIN/DF = 2.440 (≤ 3.00, good parsimony), CFI = 0.982 (≥ 0.90), and TLI = 0.954 (≥ 0.90) confirm that the model aligns well with the empirical data, meeting SEM standards (Hair et al., 2020). These indices suggest that the hypothesized relationships are robust, with minimal discrepancy between the model and observed data. The partial mediation of Customer Trust, inferred from prior context, indicates that while AI Applications and responsive market orientation directly improve marketing outcomes (e.g., through operational efficiencies or strategic alignment), they also enhance performance indirectly by fostering customer trust, which amplifies outcomes like conversion rates or engagement. The model's structure, validated by these fit indices, provides a comprehensive framework for understanding how technology and market strategies drive digital marketing success in UAE SMEs.

Figure-2. The validated conceptual framework



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Furthermore, the validated framework in Figure 2 helps UAE SMEs achieve their strategic goals by offering a realistic, evidence-based methodology for improving digital marketing effectiveness. The direct impacts of AI Applications indicate that investing in tools like as analytics or automation may directly improve results such as conversion rates, whilst the indirect effects through Customer Trust highlight the necessity of instilling trust through dependable, technology-driven interactions. Similarly, Responsive Market Orientation's direct and indirect consequences emphasize the importance of customer-centric initiatives, urging SMEs to prioritize adaptation to market demands. This is consistent with the UAE's Vision 2030, which promotes innovation and competition, because SMEs may utilize the framework to efficiently allocate resources, combining technology adoption with responsive methods to optimize marketing performance. The partial mediation of Customer Trust emphasizes the need of openness and dependability in digital interactions, helping SMEs to cultivate trust to improve performance. The model's empirical validation ensures its applicability, enabling SMEs to develop data-driven plans for sustainable growth in the UAE's competitive digital market. In sum, this validated structural model in Figure 4.5 offers a robust, innovative framework that significantly advances the understanding of digital marketing in UAE SMEs, providing actionable insights for strategic planning and competitive success.

The validated conceptual framework expands the applicability of Social Exchange Theory (SET) by introducing a blended framework tailored for digitally transforming SMEs. It offers empirical evidence that relational assets (trust) amplify the effectiveness of technological capabilities (AI), providing a nuanced understanding of digital marketing performance drivers in emerging markets like the UAE. Practically, the study provides SME owners and marketers with actionable insights. It suggests that AI tools should not be adopted in isolation but integrated within a broader strategic vision that includes responsive customer interaction and ethical practices. Moreover, it highlights that SMEs can outperform competitors by leveraging their agility and responsiveness particularly when these qualities are paired with trust-building initiatives. In conclusion, this study not only fills a fundamental gap in understanding the mechanisms by which AI and market orientation drive performance, but it also presents a practical and theoretically supported paradigm. Future studies are encouraged to explore additional mediators (e.g., digital literacy, firm size) and to replicate this model in other regions and industries to build comparative insights.

7. Conclusions

The review of literature shows that to remain competitive in today's rapidly changing economic climate, firms within the SME area must use AI technologies into their digital marketing efforts to acquire client trust. The purpose of this study is to look at the link between AI applications, customer trust, responsive market orientation, and digital marketing success in UAE SMEs

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through a conceptual framework validated empirically. It has been demonstrated that marketing, its activities, and methods have developed in tandem with the rapid advancement of communication technologies. Digital marketing performance has emerged as the dominating method of marketing. It is no longer a luxury, but rather a must for today's competitive landscape. The rise of various types of AI has coincided with technological advancement and progress. AI is based on applications that give the machine the ability to think, develop, and address problems like the human brain. AI has risen to prominence in business and has expanded into a variety of industries. With an emphasis on innovation and constant learning, the UAE has the potential to become a leader in AI-powered digital marketing techniques. With the correct mentality and resources, SMEs in the UAE may use AI to improve their marketing efforts while also building strong customer connections. This paper recommends that SMEs in the UAE should focus on using AI technologies for personalized marketing campaigns and data analysis so that they may better understand customer behavior and modify their plans accordingly. This proactive strategy will not only generate sales and income but also strengthen the trust and loyalty of clients, eventually leading to long-term success in the digital marketplace. For policymaker, it is recommended that subsidies and grants for AI adoption are crucial, as are financial assistance programs for SMEs that want to incorporate AI technologies into their business operations, notably in marketing and customer interaction. In this sense, national-level innovation centers and incubators may help SMEs gain access to AI technology, technical support, and market data. Investing in centralized platforms that provide SMEs access to market trends, consumer behavior analytics, and benchmarking tools will help them be more responsive to the market. The study expands the application of Social Exchange Theory by introducing trust as a relational asset that amplifies the value of technological and strategic resources. By situating these frameworks within the specific socio-economic and cultural landscape of the UAE. Finally, encouraging trade partnerships and online export facilitation that allow SMEs to compete globally using digitally enabled platforms supported by AI-driven marketing, as well as developing a national AI impact assessment system to track how AI adoption affects productivity, marketing reach, and global competitiveness in the industrial SME segment.

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