

RESEARCH INSIGHT

AI as a Relational Signal

When brands replace people with AI, consumers see them as less connected to the local community, and small brands pay the steepest price.

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Businesses are racing to adopt artificial intelligence, yet many consumers worry about what widespread AI means for their families, neighborhoods, and communities. Most research on AI in marketing asks how AI changes a consumer's own experience with a brand. We ask a different question: *how does a brand's use of AI change the way consumers see that brand's place in their local community?* To answer it, we introduce perceived brand social capital (PBSC): consumers' perceptions of how strongly a brand is woven into the social network of their local community. In three pre-registered experiments (nearly 1,700 U.S. consumers) and four supplemental studies, participants evaluated an auto repair shop, restaurant, or bakery that handled customer interactions with AI or with human staff.

Key findings

AI use erodes perceived brand social capital, and loyalty follows. In all three studies, brands that used AI rather than people were seen as less connected to the local community. Lower PBSC, in turn, reduced loyalty intentions, and it explained this loss beyond brand localness, warmth, and attachment.

Smaller brands pay a higher price. AI lowered PBSC for brands of every size, but the drop was consistently larger for small brands than for large ones. Consumers expect small businesses to be woven into the community, so AI violates that expectation more.

Community involvement buffers the damage, especially for smaller brands. When brands were visibly involved in their communities, the AI penalty on PBSC shrank by about two-thirds for small brands but only by about a quarter for large brands. This erased the extra vulnerability of small brands and weakened the indirect hit to loyalty through PBSC (Figure 1).

How AI is used matters. Findings from supplemental studies also demonstrate that AI that augments, rather than replaces, human interaction is less damaging, and the effects hold even for online-only brands.

Why it matters

AI adoption is not only a technology decision; it is a relational one. For scholars, the work moves beyond one-on-one consumer-brand relationships to how brands are judged as community members. For managers, especially small business owners, it means weighing relational costs alongside efficiency, keeping people in relationally meaningful roles, and pairing AI with visible community engagement.

Figure 1: Conceptual Model and Corresponding Hypotheses

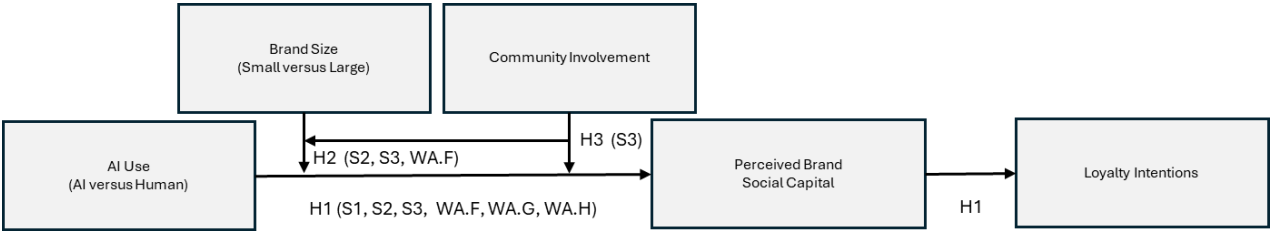


Figure 2: Ruling Out Alternative Hypotheses Via Closely Related Constructs (Study 1)

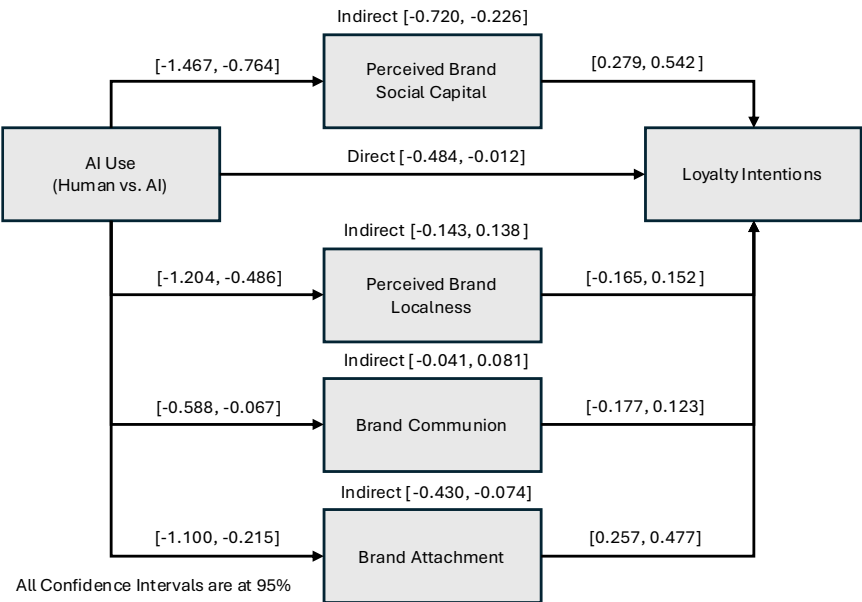


Figure 3: PBSC by AI Use and Brand Size (Study 2)

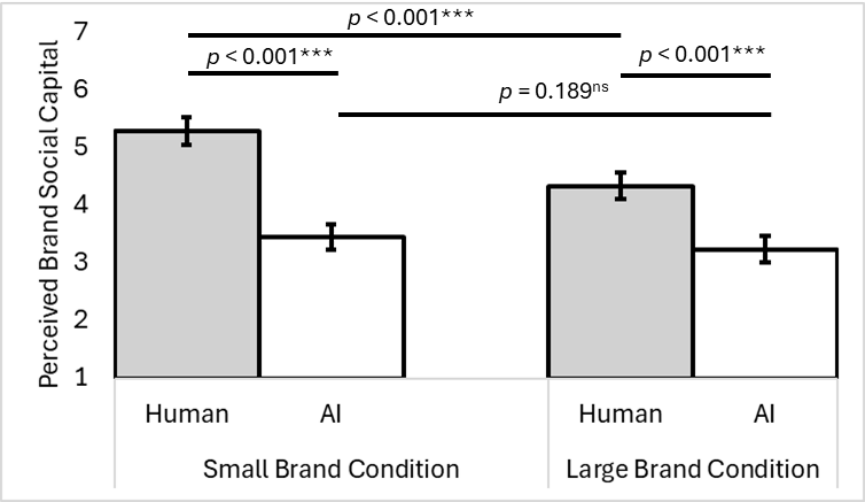


Figure 4: PBSC by AI Use, Brand Size, and Community Involvement Cue (Study 3)

