Generative Al in Consumer Media & Internet

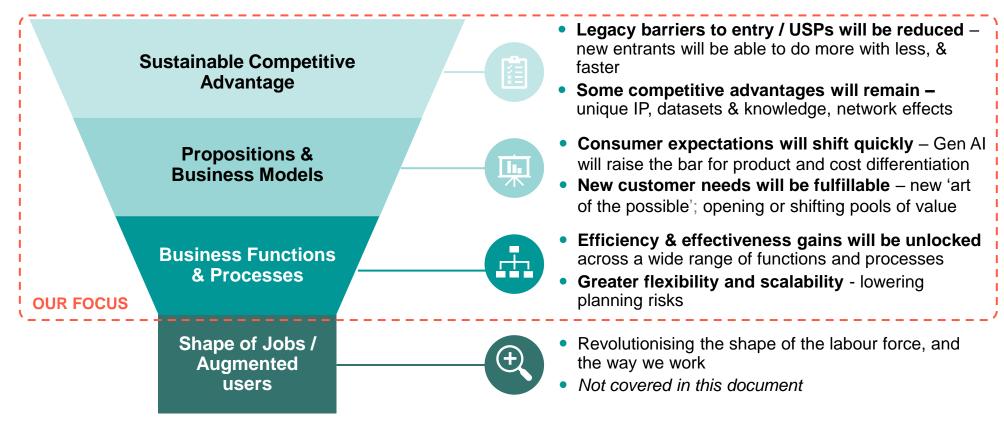
OC&C Perspectives

July 2023



GenAl is easily the most disruptive innovation in decades – shaking up whole industries and transforming businesses' right-to-win

Layers of GenAl impact

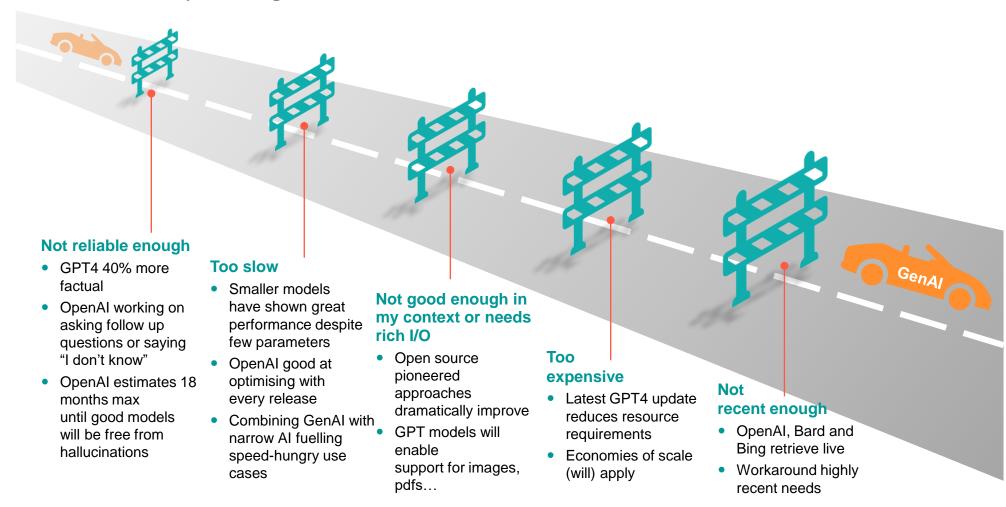


What do we mean by GenAl:

- · Mainly Large Language Models (LLMs) of sufficient sophistication
- Diffusion and other cross-modal generative models (video to animated 3D)
- Applications that use a GenAl as key component in addition to narrow Al / ML
- Examples: BARD, ChatGPT, LLAMA, MidJourney, Runway, nVidia's models
- Most previous AI/ ML advances will be referred to as Narrow AI

It is still maturing, especially for enterprise use cases – but within 18 months, most of its challenges will be resolved

Generative Al Roadmap – Challenges and Resolutions





We've seen disruption before: many verticals will see disruptive propositions and business models, of which some will succeed

3

Models of Disruption

Type of Competitive **Disruption** **New Entrants** at Disruptive **Price Points**

Substitutes (with New **Adoption Curves)**

(Dis)-Intermediation

Leapfrog by **Asset-Light**

Historical Media Example







Spotify[®]













Impact

 Long-tail first offering targeting customers at disruptive price point

Dropbox

- **Spill-over** into more profitable or high potential segments
- Legacy becomes niche esp. high complexity customers likely remain
- **Need solved** differently by techenabled substitute: typically faster, better, cheaper
- Early adopters, early majority... typical adoption curve (Rogers curve)
- Added benefits from the substitute, i.e. integration, network effects, gamification

- New player augments product / service: customers prefer their offering or experience
- Customers internalise value previously bought or licensed
- Some econ, of scale requirements decreased by GenAl

- **Disruptively lower** risk allows competitor to react faster:
 - Scale up and down
 - Enter new geos
 - Cover peak demand
- Leading to higher service availability and ubiquity



In consumer media, GenAl has multiple ways of being deployed across the value chain...

GenAl: Examples of Potential Applications Across the Consumer Media Value Chain

Non-exhaustive

Content Creation & Production

Publishing, Aggregation & Packaging

Distribution & Monetisation

Marketing & Discovery



- Script drafting
- Rough cut video editing

- Channel scheduling
- Customer service
- Automated aggregation

- Content optimisation: different modes of delivery, eg social clips vs long form
- Ad personalisation: creating specific ads for specific people



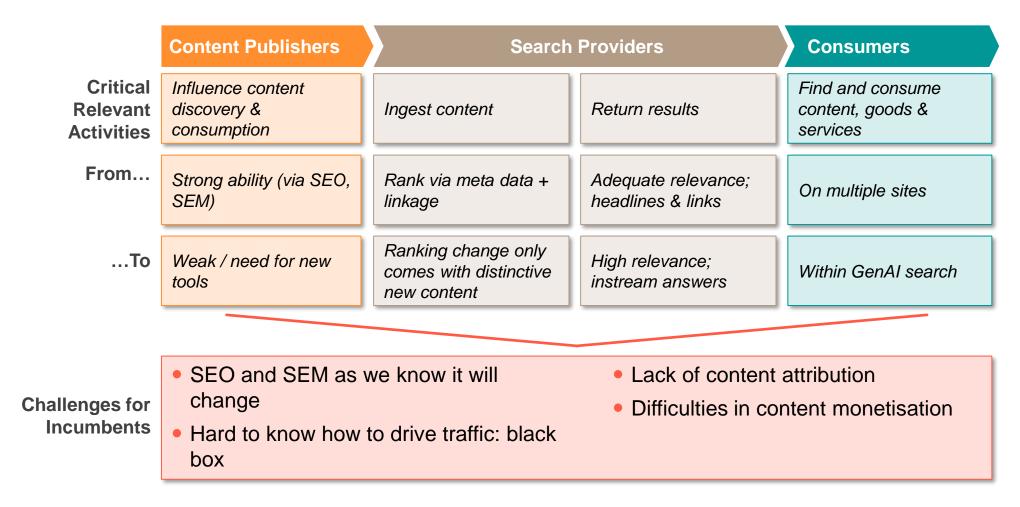
 Real-time translation of content for global audiences

- Content safety:
 Detecting and flagging inappropriate content / making it age appropriate
- Better music or TV recommendations
- Improved marketplace matching

Revolution in search (see next page)

... and search-dependent businesses will see radical changes in how they drive and monetise traffic

Impact of Search Changes on Search-Dependent Incumbents



There are seven critical factors determining the scale of the challenge in different types of consumer media business

Critical Factors Determining Scale of Challenge from GenAl

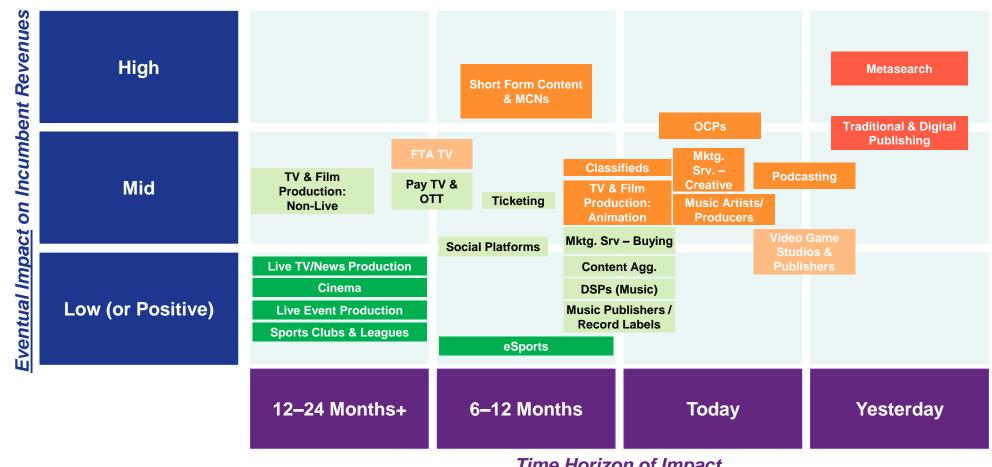
	Relationship to IP	Search Dependency	Competitive Dynamics	Customer Satisfaction	Network Effects (& Other Systemic Drivers of Customer Stickiness*)
High♠	Commoditised Content; No Ownership	Key to Distribution and/or Business Model	Fragmented; Many Indistinguishable Players	Scope to Step Change Value Proposition	None
Eventual Impact on Incumbent Revenues	Exclusive Distribution of Distinctive Content				
Low	Long-Term Ownership of One-of- a-Kind Content	None	Monopoly or Oligopoly	Needs Well Met; Limited Upside	Many & Strong

GenAl Deployability							
Non-Existent and Difficult to Conceive	Emerging 1 but F	Technology Already Widely Used					
Content Sourcing Method (Where Relevant)							
Entirely Manual	Scraping	API	3 rd Party Aggregation Exists Today				
12–24 Months	Time Horizo	on of Impact	Yesterday				

^{*}E.g. ecosystem benefits and customer investment in the service such as seller ratings or learning curve effects

As such, depending on the type of business, Gen. Al represents anything from a valuable productivity boost to an existential threat...

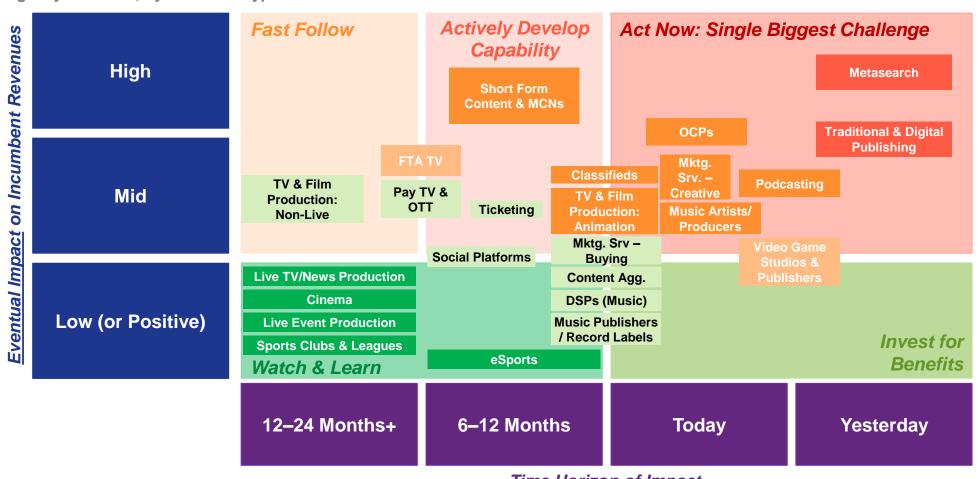
Gen Al risk, by Business Type



<u>Time Horizon</u> of Impact

... requiring different courses, and levels of urgency, of action

Urgency of Action, by Business Type



Time Horizon of Impact

It is critical to be front-footed – but evolutionary micro-use cases are not enough! A first principles revision of your business position is needed

OC&C Support Simplified

Rapid Diagnostic: Understand the Starting Point

What are the specific Al technologies which are emerging in the category/vertical?

- How are these changing and disrupting customer behaviour?
- How are your competitors responding to this?
- Do you see any Al-enabled substitutes already?
- How are your employees and suppliers leveraging Al today?
 Where is there further opportunity to evolve workflows and practices?

Static Perspective: Optimise for Today

- How is gen Al shaping your market / competitive position?
- What internal use cases are there for Gen AI to deliver better, faster, or more cheaply?
- What external-facing use cases can enable you to gain a competitive edge?
- What defensive moves are necessary to protect your position?
- What is the right tactical plan to maximise economic benefit, and minimise structural risks?
- What is the best approach to implement these? (ie tools, resources, capabilities, training)

Dynamic Perspective: Optimise for a Changed World

- How will generative Al shape your sector fundamentally?
 - Unmet/emerging needs of your customers?
 - New 'art of the possible'?
 - Likely competitor moves / substitutes?
- What is your vision? Do you want to be the Al-driven leader, or only keep up?
- What are the key internal pain points which will limit growth / scale?
 Can GenAl address these?
- What assets & capabilities do you need? How do you build them?



If you would like to discuss these topics further, please get in touch!



Kim Chua

Partner

Kim.Chua@occstrategy.com



Martin Schwarzmann

Partner

Martin.schwarzmann@occstrategy.com



Duncan Maud

Associate Partner

Duncan.Maud@occstrategy.com

Back-up: We have considered how GenAl will affect the many players in the consumer media ecosystem, across their value chains

Types of Business in Consumer Media

NB. Size of box does not correspond to scale

